

Buffalo, NY



Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
4.9 % Vacancy Rate	▼	▼
-611.3K Net Absorption, SF	▲	▼
\$6.82 Avg Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
541.6K Buffalo, NY Employment	▲	▲
3.7% Buffalo, NY Unemployment Rate	▼	▼
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY: Expansion & Diversity Impact Buffalo's Economy

The Buffalo-Niagara MSA incorporates a five-county area around Buffalo, NY. The 2020 Census reported the Buffalo-Niagara MSA population at 1.2 million, ranking it as the 49th largest MSA in the country. According to the U.S. Bureau of Labor Statistics, Buffalo's average unemployment rate for the fourth quarter of 2022 was 3.7%, which is on par 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. 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 Q4 2022 approached, however the situation remains very fluid. It is taking 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.

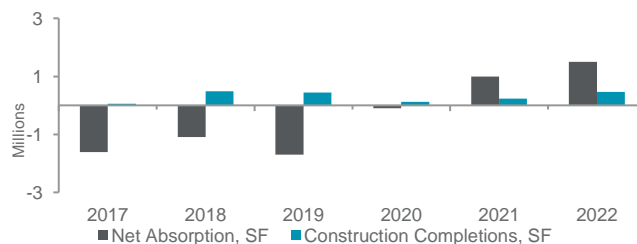
MARKET OVERVIEW: Aggressive Competition for Industrial Product

The Buffalo-Niagara MSA region has approximately 116.1 million square feet (msf) of industrial space including 63.1 msf of manufacturing space, 49.5 msf of warehouse/distribution space and 3.3 msf of office service space. The overall vacancy rate ended the year at 4.9% and the overall weighted average asking rental rate is at \$6.82 per square foot (psf). It is important to note that rental rates for new construction are significantly higher due to increased construction costs. The majority of available industrial inventory in the Buffalo-Niagara market is older and outdated Class B and C space that is functionally obsolete and is being redeveloped or undergoing adaptive reuse. As a result of the minimal availability significantly higher rental rates for new construction and any remaining "A" space have occurred.

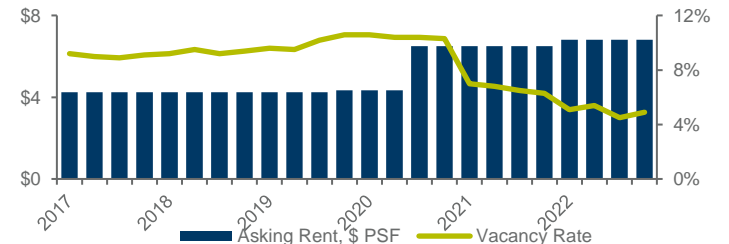
OUTLOOK: Robust Demand for Industrial Space will Continue

Change creates market opportunities, and the Industrial Market in the Buffalo-Niagara Region is "opportunistic." The need for quality industrial space continues to grow. Rates are increasing due to a myriad of factors and are peaking. It continues to be a Landlord's market and completed deals are continuing to push rental rates higher. The need for sellable industrial product will continue into the foreseeable future, especially in the 25,000 sf and up range. Warehouse and industrial product overall is selling for above asking price and sells quickly. On average, the price per square foot for industrial buildings has increased significantly over the past year. Additionally, one of the largest issues facing Western New York is the lack of buildable industrial vacant land. As a result there will be more development in Niagara and Genesee Counties along the interstates. Projects that are "in-the-works" include Uniland's 8 Dona Street in Lackawanna (150,000 sf), Ciminelli's Dona Street Project (122,300 sf) Sonwil's 5100 North America Drive (333,000 sf), Pinto Constructions 134 Dingens Street (80,000 sf), Terminal Zephyr's Ship Canal Parkway Project (75,040 sf), Benderson's 2450 Walden Avenue in Cheektowaga (63,700 sf) and the proposed re-do of the BAC site in Orchard Park (90,000 sf). Build-to-suit projects include National Grid in Lancaster (55,000 sf).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Buffalo, NY



Industrial Q4 2022

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)	Q4 CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
SUBURBAN	68,131,670	4.9%	821,985	348,386	850,741	55,000	0	\$4.95	\$9.00	\$7.00
CITY	47,918,359	4.9%	1,238,109	408,548	273,347	0	0	\$4.95	\$9.00	\$7.00
BUFFALO TOTALS	116,050,029	4.9%	2,060,094	756,934	1,124,088	55,000	0	\$4.95	\$9.00	\$7.00

*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)	Q4 CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Warehouse / Distribution	49,560,733	2,606,859	5.3%	-624,620	690,342	55,000	0	\$4.95	\$9.00	\$7.00
Manufacturing	63,190,838	2,608,360	4.1%	61,132	918,772	0	0	\$4.95	\$9.00	\$7.00
Office Service / Flex	3,298,458	506,741	15.4%	-47,856	-107,774	0	0	\$4.95	\$9.00	\$7.00

*Does not include renewals

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

KEY LEASE TRANSACTIONS 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 Centre Drive, Orchard Park, NY	Suburban	Sonwil Distribution Center	154,511	Renewal
1700 Broadway, Buffalo, NY	City	Knoll, Inc	128,047	Direct
105 Taylor Drive, Depew, NY	Suburban	BG Distribution Inc.	98,000	Direct
8 Dona Street, Lackawanna, NY	Suburban	Total Quality Assurance	81,000	Direct
2450 Walden Avenue, Cheektowaga, NY	Suburban	Lasership Inc.	76,678	Direct
132 Dingens Street, Buffalo, NY	City	Magellan	76,520	Direct
60 Northpointe Parkway, Amherst, NY	Suburban	Installs LLC	56,535	Direct

*Renewals not included in leasing statistics

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KEY SALES TRANSACTIONS 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
95 Dorothy Street, Buffalo, NY	City	Larkin Center of Commerce / Freedom 35 LLC	241,102	\$2,750,000 / \$11.41
297 Babcock Street, Buffalo, NY	City	KBSC LLC / 297 Babcock LLC	98,062	\$675,000 / \$6.88
25 Dewberry Lane, Cheektowaga, NY	Suburban	Easter Creek Partners LLC / Moriah CDI NY LLC	84,070	\$5,781,494 / \$68.77
55 Amherst Villa Drive, Cheektowaga, NY	Suburban	55 Amherst Villa LLC / 55 Amherst Villa Real estate Holdings	82,523	\$5,350,000 / \$64.83
8061 Erie Road, Evans, NY	Suburban	New Era Cap Company Inc / CHK Land Holdings	73,510	\$2,500,000 / \$34.01
175 Milens Road, Tonawanda, NY	Suburban	General Electric Inc / Uniland Development Company	72,671	\$4,100,000 / \$56.42
6860 Seneca Street, Elma, NY	Suburban	Brooks Development / Moog Inc.	68,720	\$2,650,000 / \$38.50
1057 East Delavan Avenue, Buffalo, NY	City	Lasco Inc. / 1057 Edelavan LLC	65,616	\$2,500,000 / \$38.10