

YoY Chg      12-Mo. Forecast

**17.4%**  
Vacancy Rate



**158K**  
Net Absorption, SF



**\$17.70**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2023

YoY Chg      12-Mo. Forecast

**550.9K**  
Buffalo, NY Employment



**3.1%**  
Buffalo, NY Unemployment Rate



**3.6%**  
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 49<sup>th</sup> largest MSA in the country. According to the U.S. Bureau of Labor Statistics, Buffalo's average unemployment rate for the second quarter of 2023 was 3.1%, which is slightly lower than the national average of 3.6%. 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.

## MARKET OVERVIEW: Leasing Mid-year 2023...Dismal

While the average asking lease rate has remained consistent over the past 12 months in the Buffalo office market, the outlook going forward is that gross lease rates will be increasing as the result of additional costs due to the escalation of operating expenses and increase in build-out costs. These additional costs will put upward pressure on lease rates as landlords seek to cover their expenses and maintain profitability. It is important to note that market conditions can vary and predictions regarding lease rate trends are subject to change based on various factors, including supply and demand dynamics and other market forces. Leasing as-a-whole will remain flat as no significant activity is anticipated in either the Central Business District (CBD) or the Amherst Suburban Markets. There is an unprecedented amount of sublease space on the local market and that amount will continue to grow. The growing availability of sublease space is an indicator of various factors, including economic conditions, changes in business needs and market dynamics.

## OUTLOOK: The Apocalypse of Availabilities Continues...it's Bad and Getting Worse

It is obvious that physical occupancy levels observed before the pandemic aren't coming back anytime soon. We are still seeing big space users consolidating and downsizing. Companies are reimagining their workplace like never before. As stated, the amount of sublease space in the market continues to grow. The way the Buffalo commercial real estate market is shaking out could be a boon to space seekers – it is clearly a tenant's market. Landlords are going to have some sleepless nights. We expect Landlords will be offering incentives that the market has not traditionally seen in the past. It must be understood by Landlords that the office market is substantially changed, especially with the push from employees to remain virtual. New office projects in the region are few and far between. Some of the few ongoing CBD projects include the mixed-use redevelopment of the former Buffalo Children's Hospital (Elmwood Crossing – 8 Acres - \$110 million), the continued reshaping of Seneca One Tower (1.2 million square feet).

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

| 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 AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---------------------------|-------------------|--------------------|--------------------|----------------------|--|---------------------------------|---------------------------|------------------|--|------------------------------------|
| Amherst Suburban          | 10204665          | 319,191            | 1,323,170          | 16.1%                | 101,482                                  | -119,879                        | 146,704                   | 0                | \$18.25                                | \$23.00                            |
| CBD                       | 12557309          | 54,292             | 2,260,073          | 18.5%                | 56,903                                   | 194,093                         | 242,559                   | 0                | \$16.75                                | \$27.00                            |
| <b>BUFFALO, NY TOTALS</b> | <b>22,761,974</b> | <b>373,483</b>     | <b>3,592,243</b>   | <b>17.4%</b>         | <b>158,385</b>                           | <b>74,214</b>                   | <b>452,261</b>            | <b>0</b>         | <b>\$17.70</b>                         | <b>\$23.60</b>                     |

\*Rental rates reflect full service asking

\*\* Due to a reclassification of office properties the reported absorption is artificially high for this quarter and true absorption is negative

## KEY LEASE TRANSACTIONS 2023

| PROPERTY                               | SUBMARKET | TENANT                             | SF     | TYPE    |
|--|-----------|------------------------------------|--------|---------|
| Seneca One Tower, Buffalo, NY          | CBD       | Highmark Blue Cross Blue Shield    | 98,865 | Direct  |
| 239 Van Rensselaer Street, Buffalo, NY | CBD       | HSBC Bank USA National Association | 63,300 | Direct  |
| Waterfront Village Center, Buffalo, NY | CBD       | The Travelers Indemnity Company    | 51,928 | Renewal |
| Seneca One Tower, Buffalo, NY          | CBD       | AML RightSource LLC                | 39,946 | Renewal |

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS 2023

| PROPERTY                             | SUBMARKET   | SELLER / BUYER   | SF      | PRICE / \$PSF         |
|--------------------------------------|-------------|--|---------|-----------------------|
| 95 Washington Street, Buffalo, NY    | CBD         | HSBC Bank USA National Association / Jemal's Atrium LLC  | 229,013 | \$9,000,000 / \$39.30 |
| 2825 Niagara Falls Blvd, Amherst, NY | AMHERST SUB | Ciminelli Real Estate Corp / 2825 Niagara Falls Blvd LLC | 41,988  | \$1,950,000 / \$46.44 |

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