

Rochester, NY

Industrial Q2 2023

	YoY Chg	12-Mo. Forecast
3.5% Vacancy Rate	▼	■
15.2K YTD Net Absorption, SF	▼	▲
\$6.68 Asking Rent, PSF	▲	■

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
512.7K Rochester, NY Employment	▲	▼
2.9% Rochester, NY Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Rochester, NY's Unemployment Rate Hits Lowest % since June of 1990.

The City of Rochester is situated in Monroe County, the centermost and largest county in the six-county region. The Bureau of Labor Statistics (BLS) reported that the unemployment rate for Rochester decreased YOY in Q2 2023 to 2.9%. This figure remains lower than surrounding metros and the national average which sits at 3.6%. Historically, the Bureau of Labor Statistics has not reported a local unemployment rate this low since June of 1990. Remote jobs, the growing medical industry, and the resurgence in Rochester manufacturing have played an integral role in the local job market. A huge win for the City of Rochester was announced in May. The Coca-Cola Company disclosed plans to develop a production facility over 600k square feet (sf) for Fairlife Farms, in Webster, NY. This \$650M investment is set to create 250 jobs and will have a positive economic impact felt throughout the City. Completion of this project is anticipated for 2025. Rochester is fortunate to be in a position of economic strength. Expect employment trends to stabilize. Should there be increased job growth, we could see labor shortages continue.

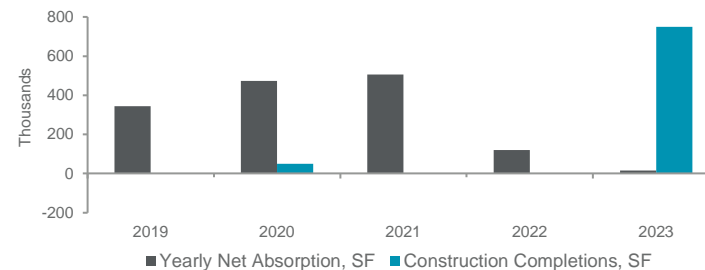
SUPPLY & DEMAND: Inflated Sale & Leasing Prices Create Limited Sale/Investment Opportunities

The Rochester, NY MSA Region has just over 74.0 million square feet (msf) of industrial space in its overall market. Vacancy rates have decreased substantially year-over-year from 4.5%, Q2 2022 to 3.5% this quarter. Vacancy within warehouses has recorded a decrease from 2.1% Q2 2022 to 1% in this quarter. Manufacturing facilities have yielded a decrease from 5.3% in Q2 2022 to 4.0% this quarter. Demand is still strong and competition for property in the marketplace continues to be fierce. With little viable space remaining in the market and high demand, we are seeing sale prices of manufacturing and warehouse space increase. Despite these increases Rochester will remain a strategic destination for many manufacturers, which will help maintain current demand levels. All of this has translated into limited sale and investment opportunities for the typical buyer. If the need for space is large enough, we are seeing companies pay a premium to own and occupy their own space.

OUTLOOK: Slight Change on Build to Suit Speculation

Major local developers have so little space available if any, that they are beginning to consider build to suit options. In one instance, a developer is building 35,000 sf of flex space on speculation. No other known projects have been undertaken at this time but given the current market, this may escalate. Demand appears strong, good space will be difficult to find, and asking rents will respond.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q2 2023

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 (HT)	OVERALL WEIGHTED AVG NET RENT (W/D)
SUBURBAN	43,145,415	3.0%	585,133	5,465	351,255	702,000	750,000	\$7.00	\$13.00	\$7.25
CBD	30,953,481	4.2%	188,879	0	79,580	0	0	\$5.50	\$10.00	\$6.25
ROCHESTER TOTALS	74,098,896	3.5%	774,012	5,465	430,835	702,000	750,000	\$6.25	\$12.00	\$6.75

*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 (W/D)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (HT)
Warehouse / Distribution	16,523,203	161,486	1.0%	-16,250	95,055	600,000	0	\$6.75		
Manufacturing	53,484,805	2,126,263	4.0%	-326,105	-190,733	102,000	750,000		\$6.25	
High Tech / Flex	4,090,888	309,007	7.6%	-4,054	110,899	0	0			\$12.00

*Does not include renewals

MF = Manufacturing HT = High Tech/Flex W/D = Warehouse/Distribution

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
500 Lee Road	Suburban	Girraft Holdings / Blain Rentals LLC	389,108	\$300,000 / \$0.77
754 Lexington Avenue	CTY	Rock 720 LLC / Elliot Rose Real Estate Holdings	8,829	\$600,000 / \$67.95
1775 Buffalo Road	Suburban	1775 Buffalo Road LLC / Heracles Properties	11,700	\$770,000 / \$65.81
5560 Airport Road	Suburban	Brickyard Holding Co / Brunner Properties	40,000	\$2,300,000 / \$57.50
69 Deep Rock Road	Suburban	Andex Corp / 69 Deep Rock Road LLC	17,490	\$850,000 / \$48.59

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1665 Lyell Avenue	CTY	AramSCO Holdings	21,275	Renewal
2883 Brighton Henrietta Townline Road	Suburban	CHEP USA	58,000	Direct

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