

Rochester, NY

Industrial Q4 2023

5.3%

Vacancy Rate

YoY Chg



12-Mo. Forecast



-592.2K

YTD Net Absorption, SF



\$6.68

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

509.8K

Rochester, NY Employment

YoY Chg



12-Mo. Forecast



3.6%

Rochester, NY Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS

ECONOMY: Interest Rates Remain High But Do Not Halt New Opportunities and Developments.

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 increased in Q4 2023 to 3.6%. This figure is on par with the surrounding metros and the national unemployment rate. Interest rate hikes have currently stabilized. The Federal Reserve announced potential plans to cut interest rates three times in 2024, a total projected interest rate reduction of 75 basis points, significant news for those looking to refinance in the short-term potentially easing financial stress caused by the current market. Rochester's strong core and resilient economy have remained stable despite an economic downturn nationwide sparked by inflation, high-interest rates and work-from-home scenarios plaguing CRE. Economic strength is evidenced by new developments occurring in the Rochester area like ROC the Riverway's transformational projects along the Genesee River, upgrades to the Downtown Rochester Business Improvement District, and the Regional Revitalization Partnership (RRP). The RRP alone will bring \$80 million dollars of funding into Rochester's infrastructure aiding current development, expanding workforce training programs, and benefiting small businesses along corridors in disadvantaged areas.

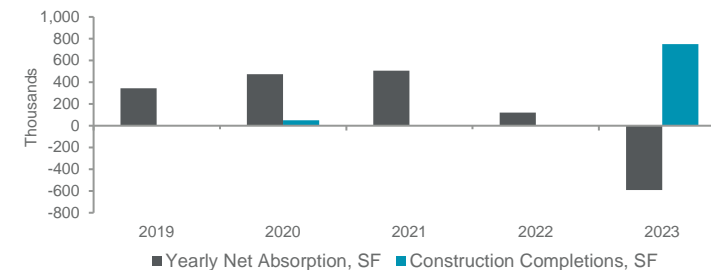
SUPPLY & DEMAND: Overall Demand Remains Consistent While Supply Appears to be Increasing.

The Rochester, NY MSA Region has just over 75.0 million square feet (msf) of industrial space in its overall market. While vacancy rates have increased by 180 basis points since Q2 2023, demand for industrial space has remained strong. The market has a total vacancy rate of 5.3%; however, there is a significant difference between the city and suburban markets. City and Suburban vacancies sit at 7.9% and 3.4%, respectively. The average age of properties within the suburban market are newer than the city, which may be a factor in the current vacancy rates. Over the last several quarters the suburban market vacancy has appeared to be more stable, where as the city has experienced more fluctuation. The cost of construction continues to be an economic cost consideration for developers and owners, relative to property development.

OUTLOOK: Reasons for Optimism Including the Tech Hub Designation.

The next few quarters will be telling, but with continued hesitancy and less-than-ideal market conditions, there are still many reasons to be optimistic. There is a strong drive in Rochester to continue to reinvent, develop, and renovate this city. Millions of dollars continue to go towards projects to support the community and modernize its infrastructure. A huge win for all of Upstate NY including Rochester, Buffalo and Syracuse was receiving the federal Tech Hub designation, designed to strengthen our country's ability to produce semiconductors. This places Rochester NY in a select group of 31 cities with the ability to compete for billions of dollars in federal funds. In return, these funds have the potential to position Upstate NY as a global hub for workforce training, innovation, and manufacturing of this technology.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 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	44,088,070	3.39%	-	-	251,415	302,000	750,000	\$7.00	\$13.00	\$7.25
CITY	31,006,899	7.91%	-	-	34,442	0	0	\$5.50	\$10.00	\$6.25
ROCHESTER TOTALS	75,094,969	5.3%	-	-	285,857	302,000	750,000	\$6.25	\$12.00	\$6.68

*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	20,054,211	798,545	4.0%	-424,534	-542,004	200,000	0	\$6.75		
Manufacturing	50,942,429	2,915,165	5.7%	-73,720	-280,991	102,000	750,000		\$6.25	
High Tech / Flex	4,099,329	240,954	5.9%	68,136	230,770	0	0			\$12.00

*Does not include renewals

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

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
180 Thruway Park Drive	Suburban	Erie Station 241 / Coopervision	242,550	\$38,965,274 / \$160.64
2055 Brighton Henrietta Townline Road	Suburban	Townline Road Associates / Wright Real Estates	53,598	\$3,298,313.72 / \$61.53
351 Colfax Street	Suburban	Colfax Street Properties / Penske Truck Leasing Corp	20,517	\$2,350,000 / \$113.80
395 Colfax Street	Suburban	Colfax Street Properties / Penske Truck Leasing Corp	29,008	\$2,300,000 / \$79.28
151 Perinton Parkway	Suburban	151 Perinton Parkway LLC / K Holdings LLC	22,294	\$2,121,000 / \$95.13

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1600 Lexington Avenue	CTY	Confidential	26,250	Direct
1249 Lehigh Station Road	Suburban	Hosmer	10,200	Renewal
71 Perinton Parkway	Suburban	Integra	7,146	Direct
999 Lehigh Station Road	Suburban	AJ Letzio	5,760	Direct
1280 Scottsville Road	Suburban	ESC	5,065	Renewal

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