

Buffalo, NY



Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
6.1% Vacancy Rate	▲	▲
-770.3K YTD Net Absorption, SF	▲	▼
\$8.31 Avg Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

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 second quarter of 2024 was 4.1%, which is on par with the national average of 4.1%. 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. Due to its strategic location near the Great Lakes and major transportation route, the Buffalo-Niagara region plays a crucial role for various industries, especially logistics and distribution, and for fostering trade and commerce between different areas.

MARKET OVERVIEW: Competition for Industrial Product Slows

The Buffalo-Niagara MSA region has approximately 116 million square feet (msf) of industrial space including 62.7 msf of manufacturing space, 50 msf of warehouse/distribution space and 3.3 msf of office service space. The overall vacancy rate for mid-year 2024 was 6.1% and the overall weighted average asking rental rate is at \$8.31 per square foot (psf); although within Class A warehouses, rates are higher. Rental rates for new-builds are significantly higher due to increased construction costs. A significant portion of available industrial inventory in the Buffalo-Niagara market is older and outdated Class B and C space that is functionally obsolete. As a result of minimal availability significantly higher rental rates for new construction and "A" space has occurred.

OUTLOOK: Is the Demand for Quality Industrial Space Over?

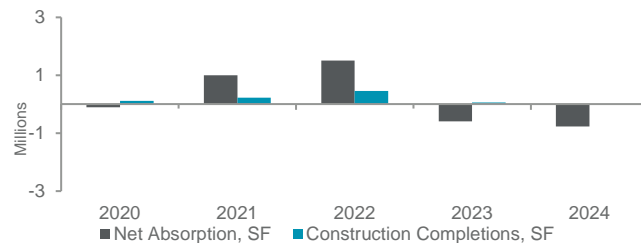
Although leasing activity remains strong, the velocity of the market has decelerated and there has been a significant slow down in the market. On average, the price per square foot for industrial buildings has risen significantly over the past few years. The increase in rates is due to a myriad of factors including construction costs and operating expenses and are expected to peak in 2024. It continues to be a landlord's market and completed deals are continuing to push rental rates higher. In the Buffalo Industrial Market there is an extreme shortage of 25,000 to 50,000 square foot buildings to buy and the need for sellable industrial product will continue into the foreseeable future. Warehouse and industrial product overall is selling for above asking price and sells quickly. 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 Phase II at Renaissance Commerce Park in Lackawanna (150,000 sf), Sonwil's 5100 North America Drive (333,000 sf), the IMA Life North America Project at Colvin Woods in Tonawanda (80,000), and the Buffalo Urban Development Corp's Northland Corridor Project-Phase IV and V (250,000 sf). The Micron Project in Syracuse marks a significant milestone in New York State's industrial landscape, yet its full impact on our region remains to be seen. A promising initial step towards harnessing this potential is the recent announcement by the US Department Of Commerce awarding the Buffalo-Rochester-Syracuse region \$40M to create a semiconductor superhighway along Interstate I-90. The synergy between the two projects could potentially transform New York into a central hub for technological innovation and manufacturing excellence.

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
561.6K Buffalo, NY Employment	▲	▲
4.1% Buffalo, NY Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Buffalo, NY



Industrial Q2 2024

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 (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
SUBURBAN	68,241,776	6.1%	328,435	182,749	384,502	0	0	\$6.50	\$10.50	\$7.95
CITY	47,779,489	6.1%	174,273	0	19,785	0	0	\$6.50	\$10.50	\$7.95
BUFFALO TOTALS	116,021,265	6.1%	502,708	182,749	404,287	0	0	\$6.50	\$10.50	\$7.95

*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)	Q2 CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Warehouse / Distribution	50,025,301	3,634,999	7.3%	-401,915	-482,124	0	0	\$6.50	\$10.50	\$7.95
Manufacturing	62,659,906	2,987,566	4.8%	-81,265	-316,316	0	0	\$6.50	\$10.50	\$7.95
Office Service / Flex	3,336,058	432,505	13.0%	-16,656	28,078	0	0	\$6.50	\$10.50	\$7.95

*Does not include renewals

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

KEY LEASE TRANSACTIONS 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2475 George Urban Blvd, Depew, NY	Suburban	Wavepoint Warehousing Inc	100,264	Direct
2345 Walden Avenue, Cheektowaga, NY	Suburban	NBF Holdings USA Inc	98,368	Direct
310 Grand Island Blvd, Tonawanda, NY	Suburban	Borderworx Logistics	52,300	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
91 Sawyer Avenue, Tonawanda, NY	Suburban	91 & 93 Sawyer LLC / William J. Magavern II	124,250	\$6,500,000 / \$52.31
66 Milens Road, Tonawanda, NY	Suburban	Yellow Freight Express / Estes Express Lines	122,090	\$8,330,000 / \$68.23
220 James E Casey Drive, Buffalo, NY	City	220 JEC Buffalo LLC / Raina Real Estate Holdings LLC	86,980	\$3,583,000 / \$41.19
1370 William Street, Buffalo, NY	City	1370 William LLC / 1370 William Street Property LLC	81,683	\$4,050,000 / \$49.58
6650 Transit Road, Cheektowaga, NY	Suburban	USF Holland Realty LLC / Estes Express Lines	57,892	\$5,550,000 / \$95.87

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