

	YoY Chg	12-Mo. Forecast
21.1% Vacancy Rate	▼	▬
-20.9K YTD Net Absorption, SF	▼	▼
\$17.50 Asking Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
501.3K Rochester, NY Employment	▼	▬
3.8% Rochester, NY Unemployment Rate	▲	▬
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Impact of Stagnant Interest Rates, and New Developments Remain to Be Seen.

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 Q2 2024 to 3.8%, an increase from 2.9% in Q2 2023. Although the Federal Reserve originally aimed for three interest rate cuts in 2024, no cuts have occurred and it is likely there is just one reduction later this year. Despite the pullback from The Federal Reserve, Rochester's economy remains stable. According to John Mangan, Senior VP for commercial real estate at Five Star Bank, community banks continue to lend money for all types of real estate projects, and each segment will have a debt yield where a bank will consider the loan. New developments such as the \$80 million investment to renovate the Aqueduct Building for Constellation Brands HQ, and the \$5 million committed by New York State to accelerate reuse of the adjacent aqueduct, could command growth in an *area where* the office market has struggled. Legislation currently under consideration could bring Rochester, N.Y. its own public bank, the first of its kind for New York State. The bill would authorize the creation of "The Bank of Rochester." This bill would aim to achieve cost savings, strengthen local economies, support economic development, and address housing needs for localities.

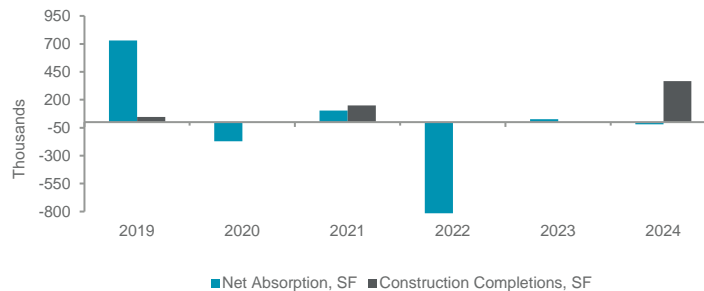
SUPPLY & DEMAND: City Demand Remains Low While Suburban Activity Picks Up.

The Rochester office market's overall vacancy rate decreased to 21.1% in Q2 of 2024, down from 22.6% as of Q4 2023. Over the last two quarters we have seen an increase in suburban office activity, while our downtown market will attempt to capitalize on Constellation Brands HQ move to the Aqueduct Building from Highpoint in the suburbs. The suburban office market is showing signs of recovering from the challenges of the hybrid work environment, driven by increased demand for medical office space and well-located suburban office parks. As evidenced by the numbers, since Q4 2023, our Class A suburban space saw a vacancy decrease from 24.3% to 22.1% and Class B decreased from 17.5% to 14.53%. Meanwhile little change has occurred in the city, reflected by a 15-basis point increase in vacancy over the same timeframe.

Outlook: It's Official, Upstate, N.Y. Received The Tech Hub Designation

The White House announced that Upstate N.Y. has officially earned its place among 12 total designees as a regional tech hub. The designation spans much of the I-90 Corridor between Buffalo, Rochester, and Syracuse. \$40 million in federal funds and \$8 million in matching funds from the state have been committed to accelerate the growth of the local semiconductor industry. The initial effort will work to educate the surrounding areas on advanced semiconductor manufacturing's supply chain, commercialization, and workforce training needs to better prepare to support this initiative. The initial impact on the office market will be small and may offer a slight increase in jobs or office space demand, but its long-term impact could be massive for Rochester, possibly improving the odds of new expansion to the area.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR LEASING ACTIVITY	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	51	4,704,411	1,203,846	25.6%	6,449	56,386	0	\$17.00	\$22.00
South-Central	92	4,814,995	884,661	18.4%	44,685	57,581	0	\$17.50	\$20.00
South-East	90	4,482,710	861,272	19.2%	22,745	43,537	0	\$18.50	\$21.00
ROCHESTER TOTALS	233	14,002,116	2,949,779	21.1%	73,879	157,504	0	\$17.50	\$21.00

*Rental rates reflect gross asking \$psf/year

**Leasing Activity does not Includes Renewals

KEY LEASE TRANSACTIONS Q2 2024

Property	Tenant	Landlord	RSF	TYPE
180 Kenneth Drive	-	Lefrois	26,571	New Lease
400 Linden Oaks	-	Gianniny	18,546	Renewal
957 Panorama Trail	-	Gallina	9,295	New Lease
70 Linden Oaks	-	Gianniny	7,385	Renewal
255 East Avenue	-	Farash	6,449	New Lease
90 Linden Oaks	-	Gianniny	5,633	New Lease

KEY SALES TRANSACTIONS Q2 2024

Property	Tenant	Seller	Buyer	RSF	Price
72 Cascade Drive	CBD	Cascade Associates LLC	Cascade District	124,434	\$2,187,136 / \$17.57
69 Cascade Drive	CBD	Knowlton Associates	Cascade District	83,440	\$4,359,312 / \$52.24
265 Thruway Park Drive	SCM	Erie Rochester Florida II LLC	Integ Capital	39,900	\$2,100,000 / \$52.63
1080 Pittsford Victor Road	SEM	1177 Fairport Road LLC	Fairport Road Collective	39,334	\$5,102,024 / \$129.71
18 N Union Street	CBD	JDF N. Union St	20 N Union St	10,450	\$775,000 / \$74.16

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