



ECONOMY: Momentum Builds as Capital Repositions Across Rochester

Rochester, anchored in Monroe County at the heart of the six-county region, continues to demonstrate economic resilience with unemployment at 3.5%, well below the national average of 4.6%. While structural shifts in office demand remain ongoing and hard to predict, recent investment activity highlights a clear reallocation of capital toward projects reshaping the urban core. Major initiatives such as the redevelopment of the Gateway Building and the Rochester Riverside Convention Center were recently announced. These underscore growing confidence in downtown's long-term vitality, supported by increased hospitality, residential, and mixed-use demand. Continued office-to-residential conversions and sustained investment across healthcare, manufacturing, and institutional sectors, reflect a market actively repositioning assets to align with evolving demand that will strengthen the region's economic foundation heading into 2026.

SUPPLY AND DEMAND: A Year of Transition Offers Promising Signs For 2026

In Rochester's suburban markets, volatility subsides compared to recent years with two consistent quarters of positive absorption. Year-to-date absorption in the South-Central Market (SCM) and South-East Market (SEM) combined for positive 281,213 square feet (sf). Bolstered by a strong showing in the SCM which accounted for positive 219,758 sf of absorption. A promising signal of momentum shifting upwards in a market trying to find its footing again. The repurposing of one key office asset within the SCM removed 105,000 sf of office inventory from the available market, contributing to net absorption.

In Rochester's Central Business District (CBD), total vacancy decreased from 29.2% in Q2 to 29.0% in Q4. Class A vacancy stood at 24.4%, while Class B vacancy remained elevated at 33.0%. While CBD volatility still exists, absorption trends reversed recent earlier-year dynamics, with Class A outperforming Class B assets. Over the last two quarters, Class B recorded negative 109,203 sf of absorption, while Class A posted positive 165,079 sf. A portion of this shift is driven by the multifamily repurposing of Clinton Square, which will convert seven floors of formerly vacant office space into apartments, removing that inventory from the office market.

OUTLOOK: Investment Activity Supports Gradual Office Market Stabilization

Looking ahead, Rochester's office market is expected to remain bifurcated between the CBD and suburban submarkets. Downtown performance will likely continue to be influenced by office-to-residential conversions and targeted reinvestment, with stabilization driven more by inventory reduction than tenant demand. In contrast, suburban markets are showing signs of stabilization, supported by consistent positive absorption, steady leasing activity, and continued "suburban flight-to-quality" toward Class A assets. Overall improvement is expected to be gradual, with performance increasingly tied to asset quality, location, and adaptability to evolving tenant preferences.

MARKET FUNDAMENTALS

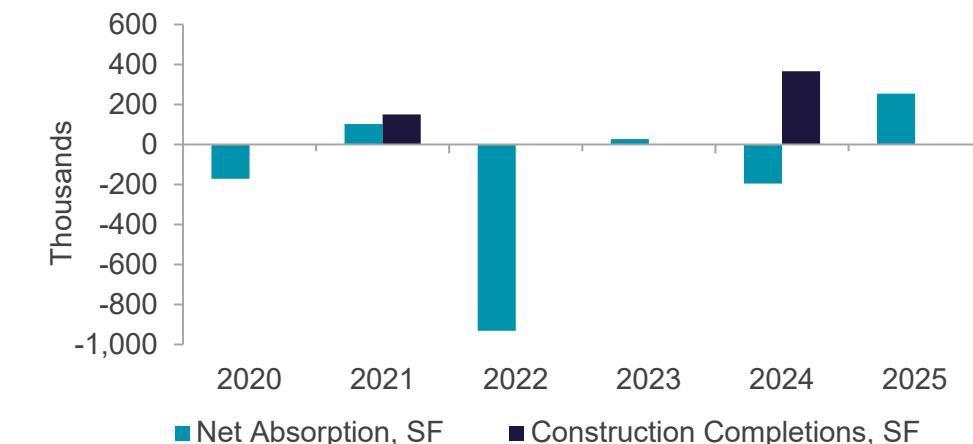
	YOY Chg	Outlook
20.7% Vacancy Rate	▼	▼
254.6K YTD Net Absorption, SF	▲	▲
\$17.50 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	—	—

ECONOMIC INDICATORS

	YOY Chg	Outlook
515.1K Rochester, NY Employment	▲	▼
3.5% Rochester, NY Unemployment Rate	▲	▲
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

Submarket	Inventory (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)*
South-East	4,492,521	764,747	17.0%	40,856	61,455	101,748	-	\$18.75	\$21.00
South-Central	4,626,952	753,519	16.3%	56,421	219,758	120,241	-	\$17.50	\$19.50
CBD	4,528,077	1,311,457	29.0%	5,842	-26,590	37,707	-	\$17.00	\$22.00
ROCHESTER, NY TOTALS	13,647,550	2,829,723	20.7%	103,101	254,623	259,696	-	\$17.50	\$21.00

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SF	SPACE TYPE	TRANSACTION TYPE
2400 S Clinton Avenue	Non-CBD	75,796	Direct	New Lease
1200 Pittsford Victor Road	Non-CBD	13,560	Direct	Renewal
800 Parker Hill Drive	Non-CBD	10,832	Direct	New Lease
1255 University Avenue	CBD	6,829	Direct	Renewal
180 Office Park Way	Non-CBD	6,115	Direct	New Lease
1250 Scottsville Road	Non-CBD	3,150	Direct	Renewal
100 Crosskeys Office Park	Non-CBD	3,132	Direct	New Lease
1598 Penfield Road	Non-CBD	1,348	Direct	Renewal
1250 Scottsville Road	Non-CBD	1,130	Direct	Renewal

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KEY SALES TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE / \$ PSF
88 Elm Street, Rochester, NY	CBD	88 Elms LP/Elm Street Ventures	80,721	\$7,400,000 / \$92
37 South Fitzhugh Street, Rochester, NY	CBD	Terminal Building LP/ Terminal Building ROC LLC	70,208	\$8,000,000 / \$114
430 Linden Avenue, Rochester, NY	South-East	AJC Rochester R&D/ SFG Rochester	54,000	\$10,366,041 / \$192
2060 Bri-Hen Townline Road, Rochester, NY	South-Central	NYSCAR Inc Arc of Monroe/ Phillippone Associates	48,806	\$4,000,000 / \$82
23 East Main St, Rochester, NY	CBD	Talman 25/Rochesterville 2	26,897	\$690,000 / \$26
1170 Pittsford Victor Road, Pittsford, NY	South-East	1170 PITT LLC/1170 PVR LLC	19,312	\$1,000,000 / \$52
3000 Mount Read Blvd, Rochester, NY	South-Central	JKM3 Holdings/CJW Holdings	9,904	\$500,000 / \$50
103 White Spruce Blvd, Rochester, NY	South-Central	Cure Childhood Cancer Association/Royal Group REM	8,076	\$1,500,000 / \$186
359 North Washington St, Rochester, NY	South-East	P&L Linden LLC/359 N Washington Ventures LLC	5,000	\$934,000 / \$187

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