

MARKETBEAT

Syracuse, NY

Industrial Q2 2018



SYRACUSE INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Syracuse Employment	317.1k	318.9k	▲
Syracuse Unemployment	5.1%	5.1%	▼
U.S. Unemployment	4.3%	3.8%	▼

Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	9.9%	7.8%	▼
YTD Net Absorption (sf)	178k	344k	▲
Under Construction (sf)	142k	125k	■
Average Asking Rent*	\$4.07	\$3.89	▲

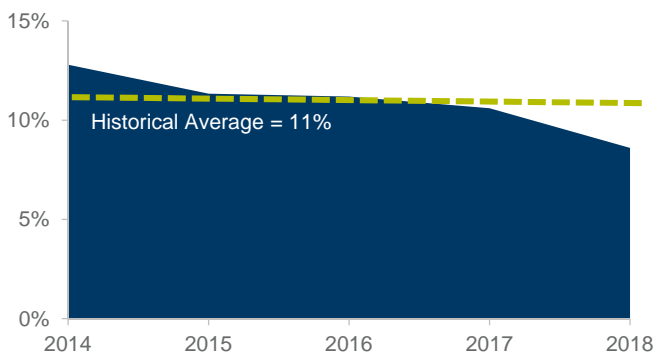
*Rental rates reflect net asking \$psf/year

Leasing Activity/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Industries active in the Syracuse industrial market include paper and packaging, pick and pull distribution, plastics, utility construction, electronic components, LED lighting, highly specialized logistic transportation and material moving services. All sectors have had an uptick in activity. Industries contributing to job growth in the Central New York (CNY) region include health care, trade, transportation, utilities, leisure and hospitality.

Terradiol, a biopharmaceutical company focusing on medical cannabis research, development and production, is currently finishing construction and facility fit-up at the recently leased 90,000-square-foot (-sf) NVG Industrial Campus in East Syracuse. Expectations are that production will begin in 2018. As part of the State of NY economic growth plan, another growth sector in CNY is the Unmanned Aerial Systems (UAS) industry with the creation of a UAS test corridor between Syracuse and Griffiss Business & Technology Park in Rome, NY. SRC Inc. is expanding and in need of engineers to develop and build drone detection systems for the US Army. Defense contractors Saab and Lockheed Martin are also expanding and have been aggressively looking to hire workers for STEM-related careers in a variety of fields, including engineering, technical and assembly, but the growing labor shortages pose a challenge for local employers seeking to fill job openings. NY State investments continue at the State Fairgrounds with construction of the 136,000-sf Expo Center, the largest indoor events space north of NYC between Boston and Cleveland. Completion is expected by the opening of the Fair by the end of summer 2018.

Market Overview

The Syracuse industrial market continues to tighten as overall vacancy fell to 7.8% this quarter. Warehouse rental rates are rising slightly as demand outweighs the supply of quality space. Many large users are finding it increasingly difficult to find space over 100,000 sf that is functional with high ceilings. Spaces between 5,000 to 25,000 sf are also in demand, as is any building that has additional land for storage.

New construction includes a 26,175-sf expansion to the Pepsi warehouse at 6010 Tarbell Road, and two speculative office service buildings; 19,200 sf at 4596 Nixon Park Drive and 9,000 sf at 3996 Box Car Lane.

Outlook

As employers grapple with the shrinking labor market, they are increasingly focused on overcoming recruiting hurdles for outside talent. Contrasting to the high-cost of living in urban mega-markets, the CNY area cost of living, affordable housing, job market and quality of living encourage talent to settle in CNY. Recently, US News ranked Syracuse in the Top 50 place to live in the United States. As the industrial market continues to tighten, users looking to Syracuse for its central location will also have to consider new construction.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
East	438	16,231,402	254,905	12.1%	359,222	125,230	NA	\$2.85	\$5.87	\$4.13
North	394	19,512,929	55,271	2.8%	57,687	0	N/A	\$3.93	\$6.50	\$5.26
South	58	1,634,166	26,586	16.7%	-8,774	0	N/A	N/A	\$6.00	N/A
West	95	5,458,459	0	9.0%	-63,758	0	N/A	N/A	N/A	\$4.49
SYRACUSE TOTALS	985	42,836,956	336,762	7.8%	344,377	125,230	NA	\$3.20	\$6.13	\$4.45

*Rental rates reflect asking \$psf/year
**Does not include Renewals

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	CURRENT QTR LEASING ACTIVITY (SF)	Q1 OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	656	24,710,285	144,708	6.2%	-76,416	-83,778	168,416	111,150	\$4.45
Manufacturing	176	14,188,528	164,769	9.7%	415,672	277,489	240,820	244,820	\$3.20
Office Service/Flex	140	2,966,268	27,285	14.1%	-28,479	83,778	63,293	59,193	\$6.13

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1 General Motors Drive	51,000	Stone Central	New Lease	East
7350 Round Pond Road	45,266	Empire Wind Merchants	New Lease	North
2801 Court Street	17,680	Crystal Rock	Renewal	East
1 General Motors Drive	14,400	Raymond Leasing Corp.	New Lease	East
4594 Buckley Road	12,000	APT Global Sales	New Lease	North
1 General Motors Drive	9,600	IBT Mine	New Lease	East

Key Sales Transactions 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
4630 Crossroads Park Drive	30,000	Crossroads SB LLC/Bellacondo II LLC	\$825,000/\$27	North
230 Ainsley Drive	26,586	John Williams/Artistry In Wood	\$485,000/\$18	South
690 State Fair Blvd	16,000	Luber Inc/Emerald Equipment	\$700,000/\$44	West
108 Metropolitan Park Drive	15,856	Tamarack Associates Inc/Eastern Millwright Regional Council	\$755,000/\$48	North
4575 Buckley Road	14,200	LMK Graphics/RETLAW LLC	\$385,000/\$27	North

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