

ROCHESTER OFFICE

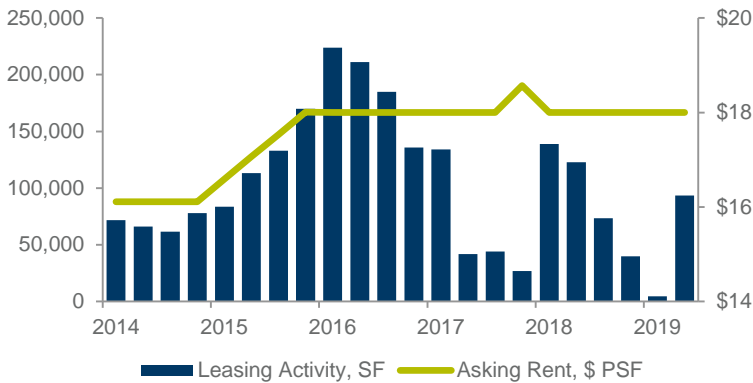
Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Rochester Employment	152.8	154.8	▲
Rochester Unemployment	4.3%	3.8%	▼
U.S. Unemployment	3.9%	3.6%	▼

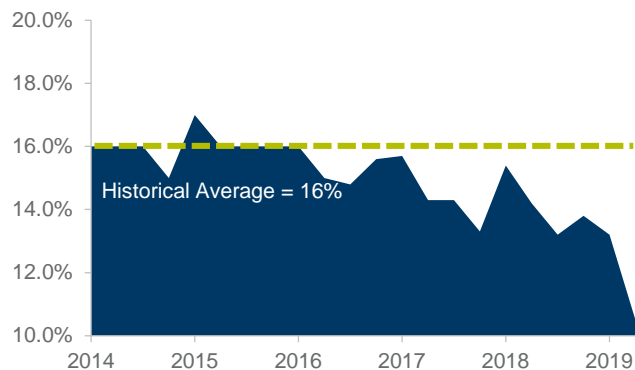
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	14.2%	10.5%	▼
Leasing Activity	104k	94k	▼
Under Construction	45k	45K	■
Overall Average Asking Rent	\$18.00	\$18.00	■

Leasing Activity/Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The City of Rochester is situated in Monroe County and is the centermost and largest county in the six-county region, south of Lake Ontario in the state of New York. As of April 2019, the unemployment rate in Rochester was reported at 3.8%, 10 basis points (bps) lower than the New York rate. While individual sectors expand or contract in response to economic stimuli, household-based data from the U.S. Bureau of Labor Statistics (BLS) shows that the labor force and general employment are both in good shape and puts Rochester ahead of the mark for total job gains. Rochester is home to 18 colleges and universities which is a linchpin to the area economy. The strong relationship between education and the business community is a major player in Rochester's growth and economic well-being.

Market Overview/Activity

The Rochester office market overall vacancy rate decreased to 10.5% in the second quarter of 2019 down slightly from 13.2% at the end of the first quarter 2019. The Rochester office market recorded a booming increase in leasing activity and ended with positive net absorption. The CBD office market vacancy continued to drop—from 17.9% to 12.1%. The overall suburban market vacancy decreased from 9.6% in the first quarter to 9.3% at the end of second quarter, and the average asking rent was unchanged at \$18.00 per square foot (psf).

Outlook

Construction is still underway at the former Eastman Kodak Company Hawkeye Plant. Queens-based WBS Capital Incorporated plans to make the former manufacturing site into a mixed-use property which will include offices, warehouses, and affordable housing.

Central Rock Gym has opened in Alexander Park and the Henrietta-based software company Mindex Technologies is anticipating a summer 2019 opening of its 78,000-square-foot (-sf) building. Construction on the next phase, will include more office, retail and apartments.

Riverwood Tech Campus has had a great amount of leasing activity through the first half of 2019 including the addition of eLogic, Crown Castle and Alstom with a combined square footage totaling over 150,000 square feet (sf).

Metro Rochester's vacancy rate recorded an uptick due to a sizable move out of a downtown property but overall activity remains positive for the office sector.

MARKETBEAT

Rochester, NY

Office Q2 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT QTR LEASING ACTIVITY	YTD LEASING ACTIVITY	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
CBD	61	5,986,389	722,972	12.1%	0	0	0	\$19.50	\$24.00
South Central	90	4,104,571	288,546	14.2%	49,585	37,279	20,000	\$16.50	\$18.25
South East	98	3,978,708	459,602	8.5%	63,979	60,883	25,000	\$18.00	\$19.75
ROCHESTER, NY TOTALS	249	14,069,668	1,471,120	10.5%	113,564	173,886	45,000	\$18.00	\$20.66

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT QTR LEASING ACTIVITY	YTD LEASING ACTIVITY	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	87	6,240,233	578,940	9.3%	83,224	112,886	45,000	\$20.66	\$20.66
Class B	162	7,829,435	460,360	6.5%	30,340	61,000	0	\$16.50	\$16.50

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4545 East River Road	32,046	Elogic Group LLC	New Lease	South Central
90 Linden Oaks	17,556	SONY Corporation	New Lease	South East
470 Long Pond Road	12,700	Genesee Valley Group Health Assoc	New Lease	North West
375 Woodcliff Drive	9,032	Stifel, Nicolaus & Company	New Lease	South East
100 Meridian Centre	3,608	Kelly Services	New Lease	South Central

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
900 Linden Avenue	233,547	Sentry Safe/Star Sentry	\$2,000,000 / \$9	South East
1600 Marketplace Drive	133,616	Sams Real Estate Business/1600 Marketplace LLC	\$5,200,000 / \$39	South Central
882 Linden Avenue	115,020	Touhey Assoc./Costanza Enterprise Inc	\$2,575,000 / \$22	South East
1575 Marketplace Drive	42,626	Wee Willie Winkle LLC/SIG 1575 Marketplace Drive LLC	\$2,750,000 / \$65	South Central
7 Chardonnay Drive	39,235	Meriweg Fairport LLC/7 Chardonnay LLC	\$3,500,000 / \$89	South East

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