

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 22.8% Vacancy Rate | ▲ | ■ |
| -932K *YTD Net Absorption, SF | ▼ | ▲ |
| \$17.50 Asking Rent, PSF | ▼ | ▼ |

(Overall, All Property Classes)
(*Not reflective of U.S. Office MarketBeat Tables)

ECONOMIC INDICATORS Q4 2022

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 504.5K Rochester Employment | ▼ | ▼ |
| 2.8% Rochester Unemployment Rate | ▼ | ▲ |
| 3.7% U.S. Unemployment Rate | ▼ | ▲ |

Source: BLS

ECONOMY: Effects of Federal Interest Rate Hikes and Recession Talks Still Yet 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 decreased in Q4 2022 to 2.8%. This figure remains lower than surrounding metros and the national average which sits at 3.7%. The BLS reports that 8,000 individuals have exited the workforce in Rochester, NY which attributes to this change. The Federal Reserve has increased interest rates to help curve inflation. While the effects of rate hikes have not impacted many industries in Rochester yet, we will see an impact when mortgages start to mature and owners enter the refinancing process. The National Association of Realtors (NAR) reports we could see interest rates start to decline to 6% as early as late 2023. This would still be 300 basis points (bps) higher than rates seen just two years ago. With many sources predicting a global recession, there will be uncertainty in the market, causing companies to make more disciplined decisions while purchasing or renting space.

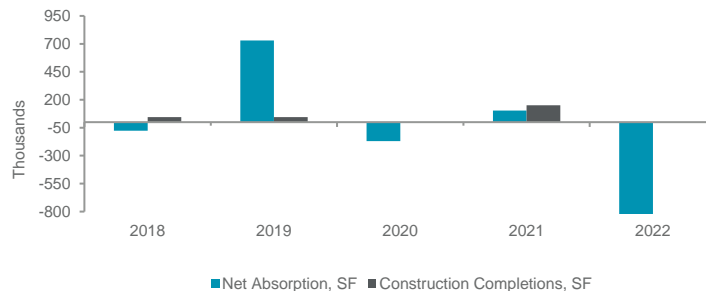
SUPPLY & DEMAND: Hybrid Work Environment Leads To Companies Downsizing

The Rochester office market's overall vacancy rate increased to 22.8% in the fourth quarter of 2022, up from 14.5% at the end of the fourth quarter of 2021. Over this past year, we have seen 932k square feet (SF) of office space become available. These numbers reflect historic highs in Rochester, which we haven't come close to since the 2008 housing recession. The largest factor attributing to this is the push for a hybrid work environment in Rochester, NY. Large companies have started downsizing. This is likely to continue until companies have a clearer outlook on the direction of the market and how their culture will adapt. We are seeing companies requiring employees to transition back to a typical workday. Landlords are feeling the pressure, and tenants have more negotiating power with landlords, as they look to acquire space. Landlords have been giving concessions on free rent and amenities, but they have not conceded on base rent. Given the better negotiating opportunities, smaller companies have been acquiring space in more premium office parks.

Outlook: Uncertainty In The Market Lays Ahead

Globally the current market environment is in a period of transition. Predicting what's next could prove to be challenging. Due to the influx of vacancies in the office market, many possibilities loom ahead for 2023. We could see office buildings converted into other projects like apartments. The Office market could start to rebound if more companies start mandating employees back to the office. More negotiating power could be transferred to tenants looking for space as owners work to fill their vacancies. This year will prove to be a telling year for office markets across the country, including Rochester, NY.

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 | 4,821,044 | 1,254,509 | 26.0% | 0 | 70,712 | 0 | \$17.00 | \$22.00 |
| South Central | 93 | 4,553,243 | 1,070,260 | 23.5% | 31,321 | 180,756 | 0 | \$17.50 | \$20.00 |
| South East | 93 | 4,478,985 | 834,395 | 18.6% | 66,863 | 159,431 | 0 | \$18.50 | \$21.00 |
| ROCHESTER TOTALS | 237 | 13,853,272 | 3,159,164 | 22.8% | 103,708 | 410,899 | 0 | \$17.50 | \$21.00 |

*Rental rates reflect gross asking \$psf/year

**Leasing Activity Includes Renewals

KEY LEASE TRANSACTIONS Q4 2022

| 100 Highpoint Drive | Tenant | Landlord | RSF | TYPE |
|---------------------|-----------------------|--------------------|--------|-----------|
| 755 Jefferson Rd | Zwicker & Associates | Flaum | 4,029 | New Lease |
| 1595 Moseley Rd | Crossbridge Financial | Dixon Schwabl | 4,584 | Renewal |
| 375 Woodcliff | Forte Capital | Sovereign Partners | 7,395 | New Lease |
| 400 Linden Oaks | Little Mendelson | Gianniny | 8,004 | New Lease |
| 290 Linden Oaks | Raymond James | Gianniny | 8,303 | Renewal |
| 100 Meridian Centre | PayQuicker | Meridian Centre | 10,847 | New Lease |
| 100 Highpoint Drive | Equitable Life | Rainaldi | 18,989 | New Lease |
| 400 Linden Oaks | Broadstone Net lease | Gianniny | 33,276 | New Lease |

KEY SALES TRANSACTIONS Q4 2022

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|----------------------------|---------------|---|---------|------------------------|
| 20 East Avenue | CBD | Square Jib Associates LLC/ Jay Acquisitions LLC | 23,823 | \$1,279,650 / \$36.56 |
| 1120 Pittsford-Victor Road | South east | Monroe Plan For Medical Care Inc/ Basin Tech Centre LLC | 38,550 | \$4,000,000 / \$103.76 |
| 150 Mt Hope Avenue | South Central | Depaul Properties / Helio Health LLC | 40,197 | \$3,400,000 / \$84.58 |
| 150 Sawgrass Drive | South Central | Paychex Inc / Golisano CH Pediatric Sleep Medicine LLC | 125,000 | \$10,000,000 / \$80.00 |

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