

	YoY Chg	12-Mo. Forecast
22.6% Vacancy Rate	▼	▬
26.4K YTD Net Absorption, SF	▼	▼
\$17.50 Asking Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
509.8K Rochester, NY Employment	▲	▼
3.6% Rochester, NY Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Interest Rates Remain High But Do Not Halt New Opportunities and Developments.

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 Q4 2023 to 3.6%. This figure is on par with the surrounding metros and the national unemployment rate. Interest rate hikes have currently stabilized. The Federal Reserve announced potential plans to cut interest rates three times in 2024, a total projected interest rate reduction of 0.75%, significant news for those looking to refinance in the short-term potentially easing financial stress caused by the current market. Rochester's strong core and resilient economy have remained stable despite an economic downturn nationwide sparked by inflation, high-interest rates and work-from-home scenarios plaguing CRE. Economic strength is evidenced by new developments occurring in the Rochester area like ROC the Riverway's transformational projects along the Genesee River, upgrades to the Downtown Rochester Business Improvement District, and the Regional Revitalization Partnership (RRP). The RRP alone will bring \$80 million dollars of funding into Rochester's infrastructure aiding current development, expanding workforce training programs, and benefiting small businesses along corridors in disadvantaged areas.

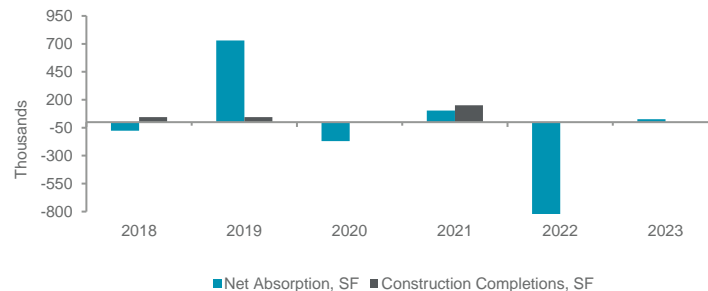
SUPPLY & DEMAND: Office Struggle Persists and Hurdles Continue to Present Themselves

The Rochester office market's overall vacancy rate increased to 22.6% in Q4 of 2023, up from 21.9% as of Q2 2023. Many of the same factors affecting the nationwide economy have had a trickle-down effect on our Rochester office market. Work-from-home, high-interest rates and inflation have continued to cause hesitancy from landlords, buyers and tenants. In addition, flight to quality is a continuing development as evidenced in the CBD detailed by a 2.5% vacancy decrease in Class A compared to a 3.2% vacancy increase in Class B. We are continuing to see occupiers demand less space, and in select parks, landlords are reducing rents to stay competitive as a result. The CBD market has experienced more severe challenges although newer, more amenity-rich properties, continue to see activity. The Suburban market throughout these market changes has remained stable despite some of the adverse conditions challenging the office market.

Outlook: Reasons for Optimism Including the Tech Hub Designation.

The next few quarters will be telling, but with continued hesitancy and less-than-ideal market conditions, there are still many reasons to be optimistic. There is a strong drive in Rochester to continue to reinvent, develop, and renovate this City. Millions of dollars continue to go towards projects to support the community and modernize its infrastructure. A huge win for all of Upstate NY including Rochester, Buffalo and Syracuse was receiving the federal Tech Hub designation, designed to strengthen our country's ability to produce semiconductors. This places Rochester NY in a select group of 31 with the ability to compete for billions of dollars in federal funds. In return, these funds have the potential to position Upstate NY as a global hub for workforce training, innovation, and manufacturing of this technology.

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	4,684,583	1,215,735	25.9%	37,233	52,329	0	\$17.00	\$22.00
South-Central	80	3,911,015	814,887	20.8%	18,121	67,548	0	\$17.50	\$20.00
South-East	91	4,459,522	915,066	20.5%	33,250	112,599	0	\$18.50	\$21.00
ROCHESTER TOTALS	222	13,055,120	2,945,688	22.6%	88,604	232,476	0	\$17.50	\$21.00

*Rental rates reflect gross asking \$psf/year

**Leasing Activity does not include Renewals

KEY LEASE TRANSACTIONS Q4 2023

Property	Tenant	Landlord	RSF	TYPE
1 S. Clinton Ave	JP Morgan	Gallina Development	19,537	New Lease
450 Skyview Center Parkway	Bivona Child Advocacy	Skyview Phase 1	16,361	New Lease
1250 Scottsville Road	Autopart International	Davpart	16,050	New Lease
100 Chestnut Street	Iheart Media	Benderson	11,396	New Lease
73 Buffalo St	Standard Security Life	Capstone	9,540	New Lease
155 Corporate Woods	Aerotek Affiliated Services	Corporate Woods	5,178	New Lease
50 Square Drive	Lakeside Podiatry	MSF Eastgate	4,242	New Lease

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2851 Clover Street	SEM	Friendly Senior Living/ 2851 Clover LLC	44,722	\$3,049,000 / \$68.17
4 commercial Street	CBD	High Falls Development / Commercial Falls	29,040	\$2,500,000 / \$86.08
4400 Buffalo Road	SCM	Town of Chili / West Sunset Development	8,134	\$270,000 / \$33.19
287 Andrews Street	CBD	BCA Properties / CT Rentals	3,192	\$1,450,000 / \$454.26

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