MARKETBEAT

BUFFALO, NY

OFFICE Q4 2024

CUSHMAN & WAKEFIELD | Pyramid Brokerage Company

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.1% Vacancy Rate	▲	▲
-642K YTD Net Absorption, SF	▼	▼
$20.50* Asking Rent, PSF	▲	–

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

ECONOMIC INDICATORS

	YOY Chg	Outlook
561K Buffalo, NY Employment	▲	▲
3.9% Buffalo, NY Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: Expansion & Delivery Impact Buffalo's Economy

The Buffalo-Niagara MSA incorporates a five-county area around Buffalo, NY. The 2020 Census reported the Buffalo-Niagara MSA population at 1.2 million, ranking it as the 49th largest MSA in the country. According to the U.S. Bureau of Labor Statistics, Buffalo's average unemployment rate for the fourth quarter of 2024 was 3.9%, which is lower than the national average of 4.2%. Buffalo's economy continues to expand and diversify, led by major growth in the healthcare and education sectors. The region's largest economic sectors are financial services, technology, healthcare and education.

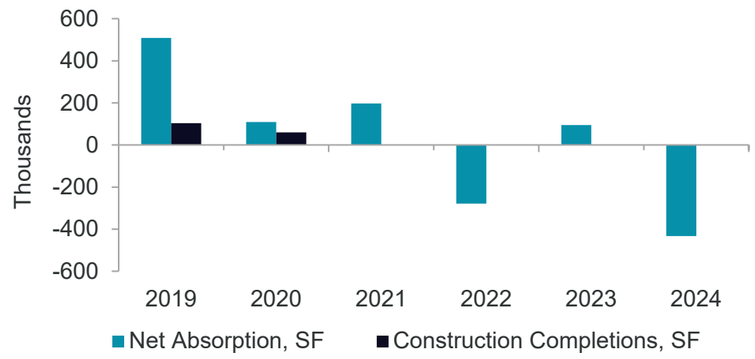
MARKET OVERVIEW: Leasing Remains Dismal For 2024 – Office Landlords Still Feeling The Pinch

Buffalo's office market reflects broader economic trends and work preferences. The shrinking demand for office space continues to affect Western New York and will do so for some time to come. Every significant office building in town either has vacancy or space for sublease. Despite consistent asking lease rates in recent years, gross lease rates are rising due to increased operating expenses and higher build-out costs. These additional costs have put upward pressure on lease rates as landlords seek to cover their expenses and maintain profitability. There has been a notable trend where companies are showing a significant demand for well-finished, existing office space as they prefer to avoid the increased expenses associated with new construction. It is important to note that market conditions can vary and predictions regarding lease rate trends are subject to change based on various factors, including supply and demand dynamics and other market forces. The growing availability of sublease space is an indicator of various factors, including economic conditions, changes in business needs and market dynamics.

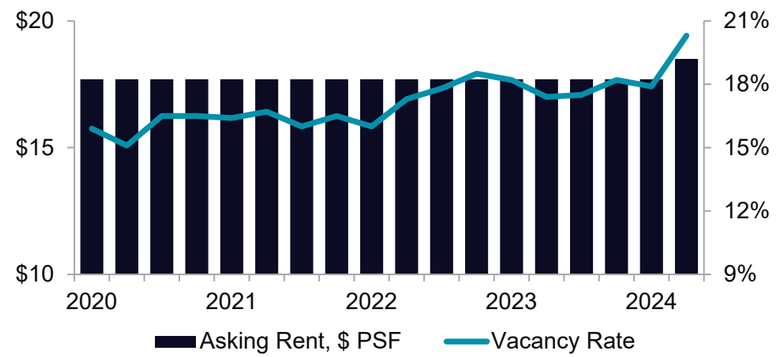
OUTLOOK: The "Flight To Quality" Mentality….With Landlords Stuck In The Middle

Physical occupancy levels observed before the pandemic aren't coming back anytime soon. Big space users are still consolidating and downsizing. Companies are reimagining their workspace like never before. As businesses decide they need less space, many have grown increasingly willing to shell out more per square foot for extra perks such as more amenities, a prime location and quality buildout. Trendy workspaces with plenty of amenities are important to companies looking to lure workers back to the office. As stated, the amount of sublease space in the market continues to grow, adding another layer to the vacancy woes…there is more space available than demand to fill it. The way the buffalo commercial real estate market is shaking out could be a boon to space seekers – it is clearly a tenant's market. We expect Landlords will be offering incentives that the market has not traditionally seen in the past. It must be understood by Landlords that the office market is substantially changed, especially with the push by employees to remain virtual. New office projects in the region are few and far between. Some of the few ongoing CBD projects include the mixed-use redevelopment of the former Buffalo Children's Hospital (Elmwood Crossings-8 Acres-$110 million) and various Douglas Development projects including the continued reshaping of Seneca One Tower (1.2 million square feet).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (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)*
Amherst Suburban	10,188,130	358,221	1,371,772	17.0%	-8,151	-124,397	300,970	0	$21.25	$30.00
CBD	12,557,309	108,692	2,971,439	24.5%	-21,413	-517,566	249,116	0	$19.75	$32.00
BUFFALO, NY TOTALS	**22,745,439**	**466,913**	**4,343,211**	**21.1%**	**-29,564**	**-641,963**	**550,086**	**0**	**$20.50**	**$31.00**

**Rental rates reflect full service asking*

Note: Rents were revised per broker request and are not reflective of U.S. Office MarketBeat Table

KEY LEASE TRANSACTIONS 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
726 Exchange Street, Buffalo, NY	CBD	Kaleida Health	102,351	Direct
847 Main Street, Buffalo, NY	CBD	Zeptometrix	34,658	Direct
200 Delaware Avenue, Buffalo, NY	CBD	Barclay Damon LP	33,467	Renewal

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
125 Washington Street, Buffalo, NY	CBD	Buffalo News Inc/ Douglas Development Corp	167,543	$5,200,000 / $31.04
1150 Youngs Road, Williamsville, NY	Amherst Suburban	IVG Buffalo Mob LLC/ Mohawk Buffalo (East Amherst)	38,590	$2,500,000 / $64.78
199 Park club Lane, Williamsville, NY	Amherst Suburban	Ciminelli Real Estate Corp/ Roswell Park Cancer Institute Corp	30,763	$26,250,000 / $853.29

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