

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.1% Vacancy Rate	▼	▲
-195K YTD Net Absorption, SF	▼	▲
\$17.50 Asking Rent, PSF (Overall, All Property Classes)	▬	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
505K Rochester, NY Employment	▼	▲
3.3% Rochester, NY Unemployment Rate	▼	▲
4.2% U.S. Unemployment Rate Source:BLS	▲	▲

ECONOMY: \$100M In Funding Awarded to Inner Loop North Transformation

The City of Rochester, located in Monroe County—the largest and most central county in the six-county region—is a key economic hub in Upstate New York. With a metro population of over one million, Rochester’s economy is driven by healthcare, advanced manufacturing, education and a growing real estate sector. According to the U.S. Bureau of Labor Statistics, Rochester’s unemployment rate for the fourth quarter of 2024 is 3.3%, which is lower than the national average of 4.2%. Enhancing the advanced manufacturing presence in Rochester, Pfisterer completed their new 100k square feet (sf) manufacturing facility near Rochester Tech Park. This will add at least 50 new jobs to the economy and add to an already large pool of manufacturers that call Rochester home. Recently announced in a press release from U.S. Senator Chuck Schumer, \$100M in funding has been awarded to aid Rochester’s Inner Loop North Transformation project. The project aims to replace the inner loop with an accessible, multimodal, at-grade network of complete streets, reclaiming 22 acres for redevelopment and improving connectivity. Upon completion, the project could bolster economic development opportunities throughout the region.

SUPPLY AND DEMAND: Complete Office Recovery Unlikely Moving Forward

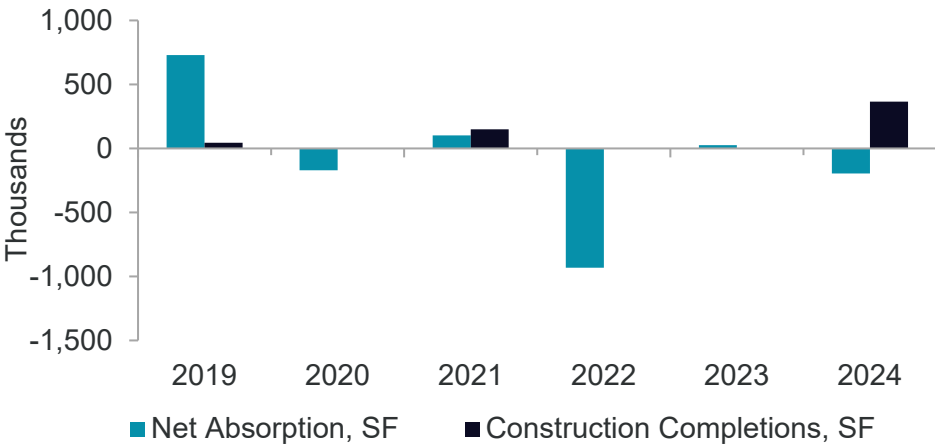
The overall vacancy rate in the Rochester office market decreased to 22.1% in Q4 of 2024, down from 22.6% in Q4 of 2023. While the suburban market had shown resilience, Q4 brought some instability. In the South-East Market (SEM), 79,905 sf of space was leased, whereas the South-Central Market (SCM) experienced an increase in vacancies of about 74,716 sf. While demand in the SEM may remain strong due to an ample supply of well-located Class B medical space, this is overshadowed by the rising vacancy in the SCM, driven by expiring leases and reduced space requirements from traditional office users.

In Rochester’s Central Business District (CBD), total vacancy increased from 25.6% in Q2 of 2024 to 27.3% in Q4 of 2024. This substantial jump is attributed to the entire RG&E building becoming available. Excluding this building, we observed the absorption of approximately 23,000 sf of Class A space, while a comparable amount of Class B space became available, indicating a continued “flight to quality” trend. With the demand for office space declining once again this year, owners and landlords may need to consider lowering rents or repurposing aging properties to stay competitive in an evolving market landscape.

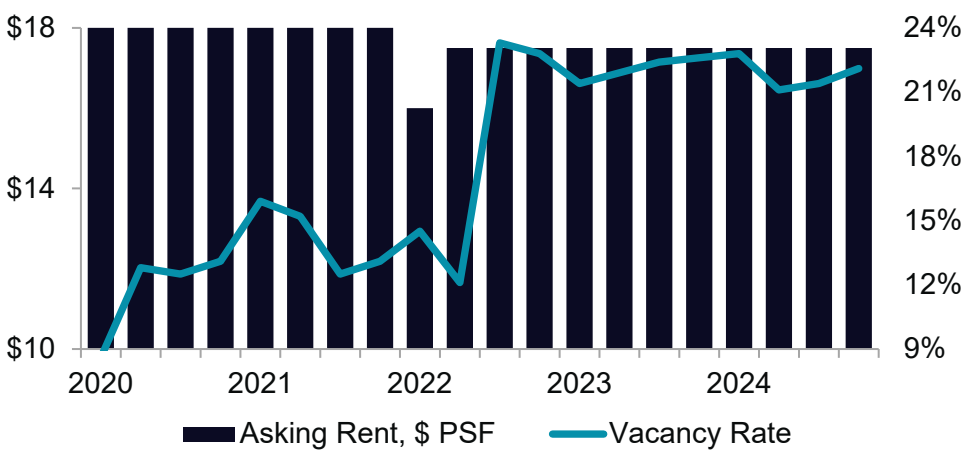
OUTLOOK: Major Projects Could Bring Growth, but Not to Pre-Covid Levels

It’s unlikely the pre-COVID market environment, marked by strong office sector growth, will return. Companies continue to downsize and require less space, with many embracing remote and hybrid work models. However, the revitalization of Downtown Rochester through projects like Roc the Riverway and the Inner Loop North Transformation—combined with Micron’s expansion in Syracuse and Rochester’s highly educated workforce—will help keep the city an attractive destination. While the full impact on the office market remains uncertain, this transformation may draw new users seeking to benefit from Rochester’s modernization and prime location, offering a strong reason for optimism.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (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)*
South-East	4,492,660	826,202	18.4%	79,905	44,128	53,456	-	\$19.25	\$21.00
South-Central	4,773,243	973,277	20.4%	-74,716	-170,535	60,000	-	\$17.50	\$19.50
CBD	4,715,327	745,398	27.3%	-128,507	-69,132	58,551	-	\$17.00	\$22.00
ROCHESTER, NY TOTALS	13,981,230	4,343,211	22.1%	-123,318	-195,539	172,007	-	\$18.50	\$20.50

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
770 Canning Parkway	Non-CBD	-	20,857	Direct
90 Erie Canal Drive	Non-CBD	-	5,500	Direct
1250 Pittsford Victor Road	Non-CBD	-	4,437	Direct
1250 Pittsford Victor Road	Non-CBD	-	2,348	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE / \$ PSF
192 Mill St, Rochester, NY	CBD	Wag High Falls/ RSS JPMBB201	57,000	2,900,000 / \$50.87
250 East Main Street, Rochester, NY	CBD	Nextcorps/ Sibley Redevelopment	27,540	\$2,000,000 / \$72.62
75 Josons Dr, Rochester, NY	South-Central	205 Lagrange/ BCC Partners	17,872	\$1,500,000 / \$83.93
31 Prince Street, Rochester, NY	CBD	31 Prince/ Visual Studies Workshop	14,980	\$1,050,000 / \$70.09
20 North Main Street, Rochester, NY	South-East	Towpath Suites/ Canal Park Partners	10,169	\$1,000,000 / \$98.33

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