

MarketView

Buffalo Retail

Quick Stats

	Current	Change from last Yr.
Vacancy	12.94 %	↑
Net Absorption*	(29,048 SF)	↓
Construction	642,115 SF	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Benderson Development bought back a portion of DDR's retail portfolio that they had initially sold them.
- The "Aud" razing project is completed.
- The national retail real estate market is coping with increasing vacancies.

While the Buffalo Retail Real Estate Market experienced a slight increase in vacancies when compared to other areas of the country, Buffalo's retail vacancy rate has remained relatively stable.

The Niagara Submarket experienced the largest decrease in vacancies in 2009. A portion of this decrease can be attributed to the discontinuation of the Summit Park Mall as an operating and marketed retail property. However, even with the deletion of the Summit Park Mall, the Niagara Submarket still had fewer vacancies. The only other submarket to experience a decrease in vacancies this past year was the Galleria Mall Submarket. This submarket is anchored by the super regional The Walden Galleria Mall which continues to add to its already impressive tenant base, as renovation/expansion of the mall comes to fruition. These two trade areas lead the overall market in attracting Canadian shoppers who continue to support our local economy through frequent shopping trips.

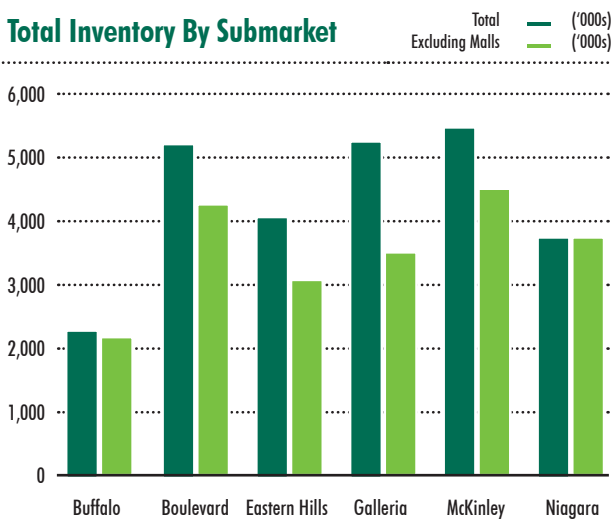
Despite attracting its share of Canadian shoppers, the Boulevard Mall Submarket had an increase in vacancy for the third consecutive year. Nearly all of these vacancies occurred in strip centers as a result of national retailers closing locations nationwide. The McKinley Mall Submarket had the largest increase in vacancy rates in 2009, followed by the City of Buffalo Submarket, and for the first time in several years the Eastern Hills Submarket experienced a slight increase in vacancy.

Not surprisingly, the national retail real estate market continued its negative trend in 2009. Overall, vacancies were on the increase while effective lease rates declined. The lack of consumer confidence coupled with the high national unemployment rate has adversely affected the market as a whole. Additionally, retailer bankruptcies and subsequent store closings across all United States markets. However, there are retailers that remain stable and continue on a relatively modest growth plan, allowing them to capitalize on some aggressively structured rental deals that are being offered. As expected, discounters weathered these negative economic conditions better than most retailers. Wal-Mart continued to open their Super Wal-Mart concept, albeit at a more conservative pace than in the past. Several dollar stores are also capitalizing on current market conditions and adding to their store networks.

Overall, Buffalo's market continues to be comparatively insulated from the volatile market swings affecting other parts of the country. For example, Las Vegas, has experienced an increase in retail vacancies over the past two years from below 5% to over 13%. During this same period they saw rental rates reduced by over 20%. Conversely, in Buffalo the vacancy rate has changed by less than 2% over the past five years and rents have remained stable. Another positive is that the enclosed mall sector continues to resist national trends and remains stable here in Buffalo. Undoubtedly, this sector is a benefactor to the influx of Canadian shoppers that frequent our trade areas.

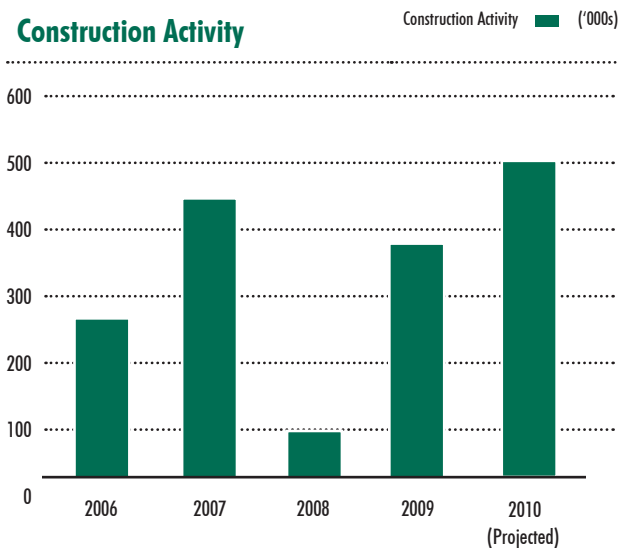
Submarket	Total Inventory SF	Change In Supply SF	Available Inventory SF	Vacancy Rate %	Change in Vacancy %	Net Absorption SF
City of Buffalo	2,302,646	0	592,308	25.72	2.01	(46,421)
Boulevard Mall	5,261,069	0	520,650	9.90	0.43	(22,572)
Eastern Hills Mall	4,060,091	0	229,045	5.64	0.37	(15,252)
Galleria Mall	5,243,005	(55,000)	632,238	12.06	(0.96)	112,297
McKinley Mall	5,334,341	377,115	757,773	14.21	3.64	150,988
Niagara	3,731,717	(131,542)	624,415	16.73	(2.96)	(208,088)
Total	25,932,869	190,573	3,356,429	12.94	0.31	(29,048)

Total Inventory By Submarket



The Buffalo retail market inventory condensed slightly in 2009. This is a direct result of the aforementioned Summit Park Mall discontinuation as a marketed retail property. The elimination of this space outpaced new construction by just over 30,000 SF in 2009. New inventory added in 2009 include new Super Wal-Mart in both Niagara Falls and Hamburg and a new Lowe’s in Hamburg. Both Wal-Mart projects left behind vacant stores in their respective submarkets. Some limited speculative space was also added to market in 2009.

Construction Activity



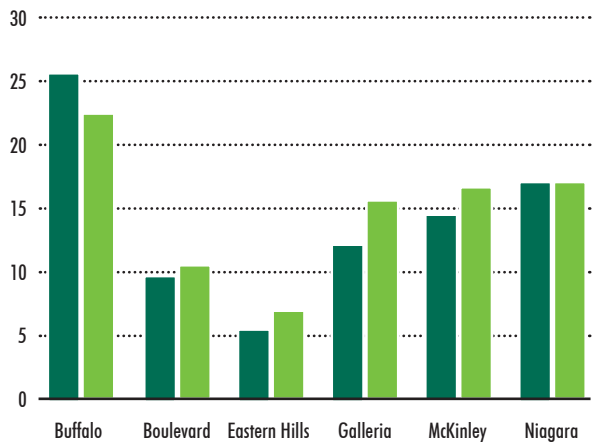
The most active submarket for construction activity in 2009 was the McKinley Mall trade area, specifically in the Town of Hamburg. The largest project to come online was the Super Wal-Mart located at the Benderson Development owned and completely redeveloped Brierwood Square. Benderson is also currently constructing additional speculative retail square footage on the peripheral land. In addition, Lowe’s added a new location in Hamburg on Southwestern Boulevard for 2009.

Wal-Mart’s new Supercenter in Niagara Falls this year added 265,000 SF of new construction to the market. It is anticipated that additional speculative retail buildings will be constructed on this site as market conditions improve.

Last year’s report mentioned the commencement of the razing of the Memorial Auditorium for new development. This phase of the development process is nearing completion and additional site preparation should continue into 2010 readying the site for potential retailers.

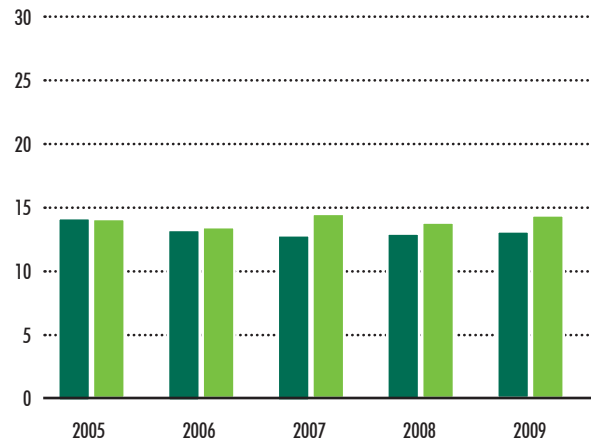
Vacancy By Submarket

Total %
Excluding Malls %



Yearly Vacancy Comparison

Total %
Excluding Malls %



The overall Buffalo retail vacancy rate increased from 12.63% in 2008 to 12.94% in 2009. This slight increase in vacancy is in contrast to the large negative trends experienced by several other U.S. markets. The bulk of new vacancies in 2009 came as a result of national retailer bankruptcies. Many of these retailers such as Circuit City and Linens n' Things had local stores but were more prolific in other parts of the U.S., which helped lessen their impact to the Buffalo market.

The Eastern Hills Mall Submarket reports the area's lowest overall vacancy rate for 2009 at 5.6%. This represents a slight increase over 2008's rate of 5.3%. Bolstered by strong demographics and an improved infrastructure this submarket continues to be one of the top ranked submarkets in Buffalo.

For the third consecutive year, the Boulevard Mall Submarket has seen an increase in its vacancy rate. The majority of these vacancies have occurred in the strip center category of the market. Conversely, the enclosed mall segment in this submarket and across most submarkets in WNY continues a positive trend of decreasing vacancies. The overall rate for the Boulevard Mall Submarket in 2009 was 9.9% which represents a 0.4% increase over 2008's rate.

In overall vacancy rates, the Galleria Mall Submarket ranked third this year. This submarket is anchored by the super regional Walden Galleria Mall. This mall continues to improve and expand, emerging as the leading retail destination in Buffalo. In 2009, this submarket is reporting a vacancy rate of 12.1% which represents a decrease of almost a full percentage point over 2008's rate of 13.0%.

The McKinley Mall Submarket experienced an increase in vacancies this year placing it fourth. The overall McKinley Mall Submarket vacancy rate for 2009 is 14.2% which represents an increase of 3.6% over last years rate of 10.6%. This submarket had two large scale or "big box" projects come on line in 2009. The new Lowe's on Southwestern Boulevard and the new Super Wal-Mart at Brierwood Square added occupied square footage to the market. However, in Wal-Mart's situation, they added available square footage at the expense of their former location. This empty box coupled with additional vacancies in the strip center sector caused the spike in the vacancy rate.

Although it ranks fifth in terms of overall vacancy at 16.7%, the Niagara Submarket saw a decrease of 3.0% in vacancies in 2009. The reconfiguration and renovation of the Fashion Outlet's of Niagara was completed in 2009. This rather impressive project helped bolster the Niagara Submarket's decrease in vacancy. Also contributing to this decrease was the discontinuation of the property formerly known as the Summit Park Mall as an operating and marketed retail property. Many of the displaced tenants from this property were absorbed in various strip centers throughout this submarket. This submarket also greatly benefits by a significant amount of Canadian shoppers.

Typical of most second tier or tertiary markets, our urban core submarket has the highest retail vacancy rate. The City of Buffalo Submarket's overall retail vacancy rate for 2009 was 25.7%, which represents an increase of 2% over 2008. On a positive note, the possibility of completing the proposed Bass Pro site made a major step forward with the complete demolition of the former Memorial Auditorium in 2009.

MarketView Buffalo Retail

Submarket Map



-  **City of Buffalo**
All properties within the City limits
-  **Boulevard Mall**
West Amherst, Kenmore and Tonawanda
-  **Eastern Hills Mall**
East Amherst, Williamsville and Clarence
-  **Galleria Mall**
Cheektowaga, Depew and Lancaster
-  **McKinley Mall**
Blasdell, East Aurora, Elma, Hamburg, Lackawanna, Orchard Park and West Seneca
-  **Niagara**
Lockport, Grand Island, Niagara Falls and North Tonawanda

Methodology

Inventory of each retail property was acquired through information provided by public assessment records, direct contact with owners, property managers and brokers. Local landlords have been helpful in providing accurate data for this report, and in some instances physical inspections have been made to compile the most accurate information possible. Our database is continually refined to enable meaningful year-to-year comparisons. Properties surveyed were limited to all retail properties of 50,000 SF or greater in Erie and Niagara County.

Acknowledgments

CB Richard Ellis | Buffalo would like to thank those who cooperated in the preparation of the Western New York Retail Market Review. We acknowledge that without the participation of Western New York's real estate community, and local and regional retailers, this report would not be possible.