

MarketView Buffalo Industrial

Quick Stats

	Current	Change from last Yr.
Vacancy	13.2 %	↑
Net Absorption*	(879,766) SF	↓
Construction	135,000 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

- Regionally, Batavia is expected to announce the construction of approximately 350,000 SF and approximately 250 new jobs as Phase 1 of a food manufacturing facility.
- While vacancy is up, the availability of "quality" property is down, putting continued pressure on the need for new construction.
- 2012 will involve the largest volume of commercial mortgage refinancing in history, creating uncertainty for many industrial "investment" portfolios.

As forecasted in 2010 by CBRE|Buffalo, the 2011 Buffalo Industrial Market did experience an increase in the overall vacancy rate: the rate increased from 11.7% to 13.2%. This equates to a negative absorption rate of 879,766 SF for the year. While the overall vacancy rate increased 1.5% locally, the national overall industrial vacancy rate decreased 20 basis points from 13.9% to 13.7%¹. Thus, while the gap between national and local rates has narrowed, 2011 represents the 6th consecutive year that the Buffalo industrial market vacancy rate has remained below the national rate.

Internationally, Canadian vacancy rates experienced a 1.3% annual decrease from 7.9% to 6.6%, which is less than half of the U.S. rate of 13.7%. Much of the new construction in the Canadian market was readily absorbed, as much of the industrial supply was build-to-suit. Markets showing the greatest overall improvement were Ottawa, Waterloo, and Toronto.

Regionally, the Buffalo market has a higher overall vacancy rate than the neighboring cities of: Toronto 5.5%, Cleveland 8.2%, Pittsburgh 8.9%, and Syracuse 11.4%.

Locally, 1,014,000 SF of vacant space was added to the market. This was mostly attributable to the addition of two major manufacturing facilities becoming available. Helping to keep this increase at a minimum was the fact that there was only 135,000 SF of new construction which occurred in 2011.

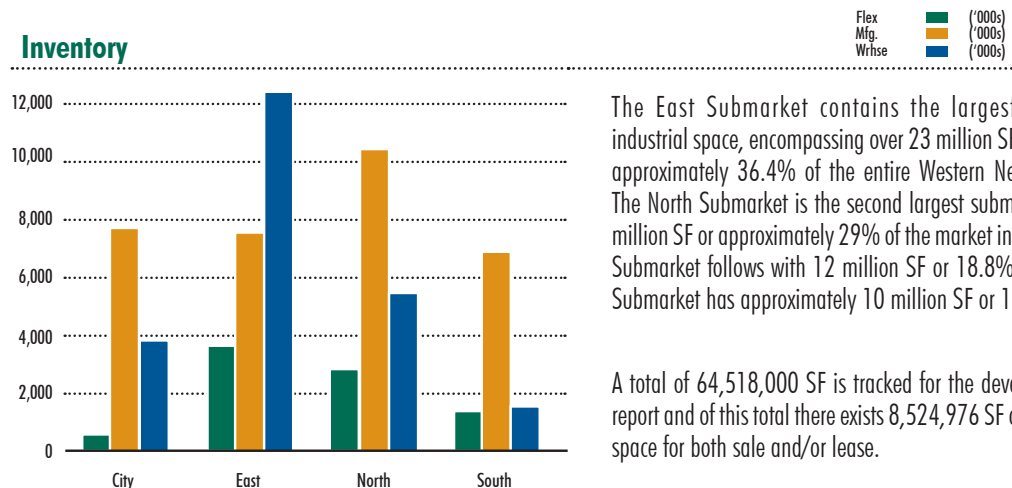
Overall, every submarket experienced negative absorption rates in 2011: City Submarket (301,154) SF, East Submarket (266,100) SF, North Submarket (299,408) SF, and South Submarket (13,104) SF.

Due to the negative absorption, every submarket experienced an increase in its vacancy rate. The City Submarket vacancy increased 2.5% from 24.3% to 26.8% during 2011. This increase was due in part to the addition of approximately 273,874 SF of manufacturing space added to this submarket.

The East Submarket vacancy increased from 11.6% to 13.3%. The largest contributing factor to this increased vacancy occurred in the manufacturing sector which experienced a net (588,085) SF of absorption resulting in a 100% increase in total available square feet in this sector.

The North Submarket vacancy increased from 5.6% to 7.2% due primarily to increases in both the manufacturing and warehouse sectors. The South Submarket experienced a slight increase from 7.8% to 8.0% with minimal change in available square footage.

Inventory



The East Submarket contains the largest inventory of industrial space, encompassing over 23 million SF; this represents approximately 36.4% of the entire Western New York Market. The North Submarket is the second largest submarket with 18.6 million SF or approximately 29% of the market inventory. The City Submarket follows with 12 million SF or 18.8%, and the South Submarket has approximately 10 million SF or 15.9%.

A total of 64,518,000 SF is tracked for the development of this report and of this total there exists 8,524,976 SF of total available space for both sale and/or lease.

¹ CBRE North America Industrial Availability Index, Third Quarter 2011

Submarket	Total Inventory SF	Change In Supply SF	Available Inventory SF	Vacancy Rate %	Change in Vacancy %	Net Absorption SF
City (C)						
Flex	522,818	0	59,370	11.4	11.4	(59,370)
Mfg.	7,655,176	0	2,492,137	32.6	3.6	(273,874)
Wrhse	3,957,046	0	696,967	17.6	(0.8)	32,090
East (E)						
Flex	3,713,346	0	503,461	13.6	3.3	(121,742)
Mfg.	7,503,368	135,000	1,290,987	17.2	9.5	(588,085)
Wrhse	12,330,069	0	1,332,475	10.8	(3.6)	443,727
North (N)						
Flex	2,921,149	0	376,712	12.9	(0.0)	88
Mfg.	10,382,915	0	606,207	5.8	1.3	(130,040)
Wrhse	5,298,411	0	351,786	6.6	3.2	(169,456)
South (S)						
Flex	1,672,438	0	111,382	6.7	3.4	(56,132)
Mfg.	6,785,003	0	489,000	7.2	(1.7)	118,346
Wrhse	1,776,739	0	214,492	12.1	4.2	(75,318)
Totals	64,518,478	135,000	8,524,976	13.2	1.5	(879,766)

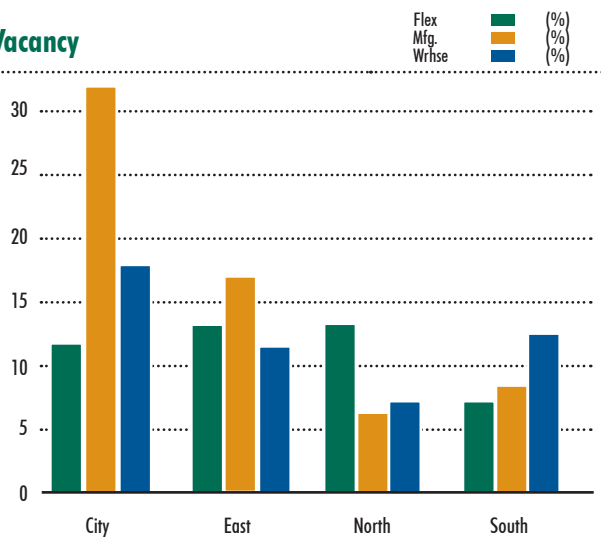
Industrial Market Average Sales

Price PSF \$



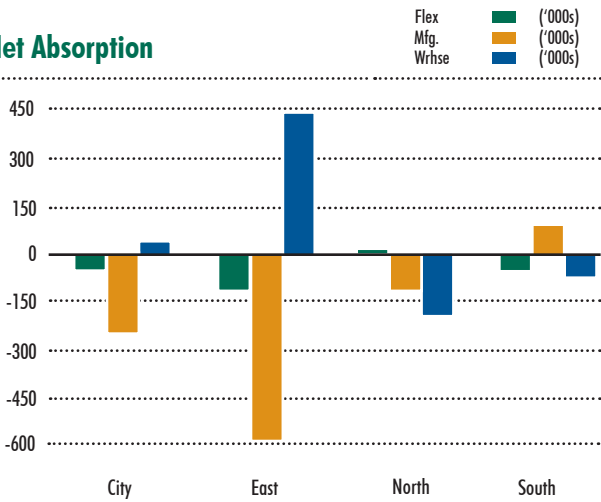
Based upon sales of 10,000 SF and larger and regardless of product type, age, condition, size, location etc. the 2011 average per square foot (PSF) sales price for manufacturing and warehouse sectors was down from \$30.20 PSF in 2010 to \$26.61 PSF in 2011.

Vacancy



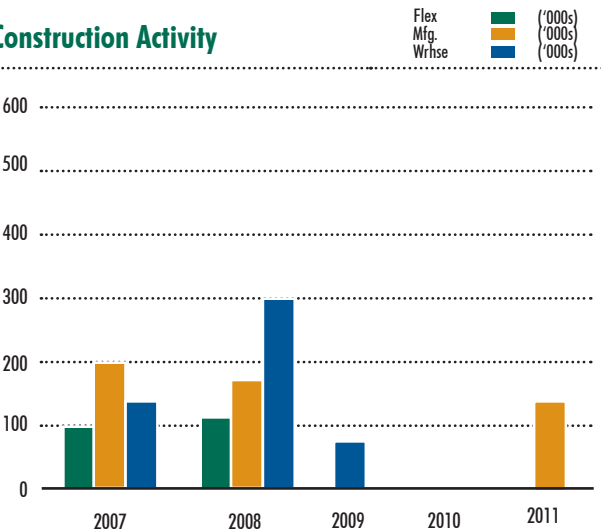
Overall, Buffalo industrial vacancy is 13.2%. Overall vacancy rates within the four submarkets are: City Submarket 26.8%, East Submarket 13.3%, North Submarket 7.2% and South Submarket 8.0%.

Net Absorption



Overall net absorption for 2011 was a negative (879,766) SF, which resulted in the vacancy rate increasing from 11.7% to its current level of 13.2%. Net absorption rates are as follows: City Submarket (301,154) SF, East Submarket (266,100) SF, North Submarket (299,408) SF, and South Submarket (13,104) SF.

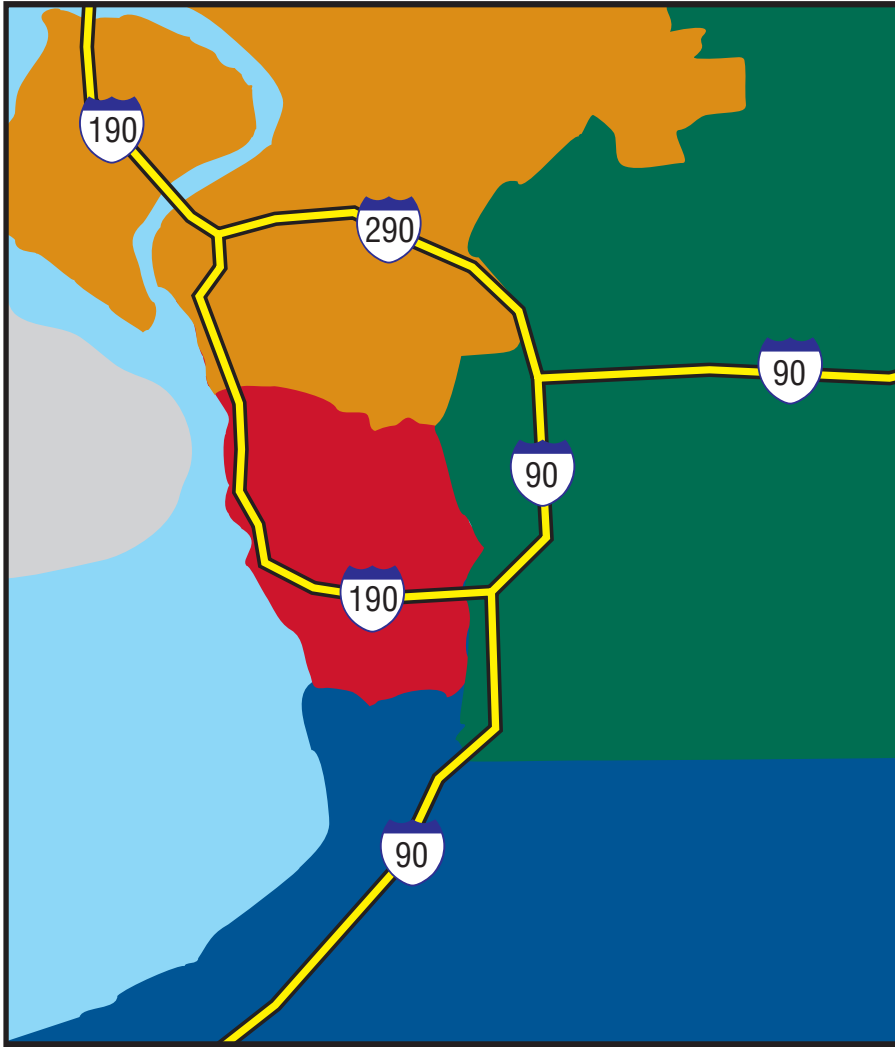
Construction Activity



New construction remained sluggish in 2011 with only one new addition to the Market: a 135,000 SF building for Derrick Manufacturing, located in the East Submarket.

MarketView Buffalo Industrial

Submarket Map



■ City of Buffalo (C)

18.04 million square feet in Buffalo, south of the Scajaquada Expressway

■ North Region (N)

18.6 million square feet in Amherst, Buffalo (north of the Scajaquada Expressway), Grand Island, Kenmore, Tonawanda, West Amherst

■ East Region (E)

23.23 million square feet in Cheektowaga, Depew, East Amherst, Lancaster, West Seneca, Williamsville

■ South Region (S)

10.18 million square feet in Angola, Blasdell, Boston, Concord, East Aurora, Eden, Elma, Evans, Hamburg, Lackawanna, North Collins, Orchard Park, Sardinia, Springville, Wales

Methodology

This survey includes all industrial buildings over 10,000 square feet and built after 1950 within Erie County. Industrial buildings include:

Warehouse (W): 18' and above clear height with availability of both dock and grade doors. Primarily used for warehouse and/or distribution or best suited for warehouse and/or distribution.

Manufacturing (M): Typically lower than 18' clear height with the majority of the space devoted to manufacturing and/or light industrial or best suited for manufacturing and/or light industrial. Includes R&D space.

Flex (F): Multi-purpose space which typically contains better quality front facade with dock high and drive-in doors. Designed to accommodate any combination of office and warehouse/light industrial space. Rates based upon 5-20% office build out.

Buildings were identified via Erie County tax records, owner surveys and property tours. Erie County tax records were adjusted when necessary if information was inaccurate as noted by property tours or surveyed property owners. Each property was site visited to verify its classification and use. Lease rates analyzed in this report are provided by owners and do not reflect specific tenant build-outs, negotiated terms or incentives. The information contained herein has been received from sources thought to be reliable. No representations or warranties are made as to the accuracy or completeness of this information.

Acknowledgments

CBRE | Buffalo would like to thank those who cooperated in the preparation of the Western New York Industrial MarketView. We acknowledge that without the participation of Western New York's real estate community, this report would not be possible.

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