CBRE

MarketView
Buffalo Retail

www.cbre.com/buffalo

Annual 2011 | 2012

For the third consecutive year, the Western New York Retail Real Estate Market experienced an increase in vacancies. However, to put it in perspective, collectively the vacancies increased a conservative 1.76% over this three-year period. In contrast to several other retail real estate markets across the U.S., the Western New York (WNY) market continues to have a very limited amount of distressed assets. This is in part because many retailers in WNY have seen sales increases on a year-to-year basis. Also, as in previous years, the Canadian shopper continues to frequent several retail pockets throughout Western New York.

On the National front, the trend towards stabilization continued in 2011 albeit at a much slower pace than its decent. Several large markets across the U.S. have experienced positive absorption in 2011. Prime rents for prime locations have exceeded their previous highs from 2007. Storefronts along 5th Avenue in New York, Michigan Avenue in Chicago, and South Beach Miami are all at or above pre-recession rents.

Even though WNY retail vacancies increased in 2011, the market was active. A limited amount of new retail space inventory came on line in 2011. The most notable project in 2011 was the new Wal-Mart at the intersection of Sheridan Drive and Bailey Avenue in Amherst. Developers continue to remain on the sidelines when it comes to speculative retail projects.

The market also saw several retailers adding to their existing footprint. Wal-Mart, Chipolte, Cheeburger Cheeburger, Old Navy, and Buffalo Wild Wings are some of the national chains that added WNY locations in 2011. Additionally, two strip center newcomers in 2011 included Five Guys Burgers in East Amherst and CW Price who back filled the majority of the vacated AJ Wright stores.

The Walden Galleria also added to its already impressive tenant roster. New tenants in 2011 included: H&M, Gordon Biersch, White House Black Market, Fossil, Michael Kors, and Anthropologie. This property continues to improve and evolve as a WNY premier shopping destination.

The entire enclosed mall sector continues to thrive in WNY with the only exception being an antiquated property in the CBD. This can be attributed to a couple of factors. The WNY consumer has traditionally used the malls as their home base for shopping trips. The weather is certainly a contributing factor, but the whole "mall experience" is something that has always been attractive to WNY's. The Canadian "contingent" also has a large effect on the success of the malls here. In addition to being regional mall shoppers, the Canadians will often make WNY their destination for more than a one-day shopping trip. Local hotels offer special rates and packages which encourage multiple day shopping trips. Area strip centers are also benefitting from this influx of shoppers from north of the border. While the "big box" anchored power centers and the super regional strips see their fair share of Canadians, even the grocery anchored neighborhood centers benefit from Ontario license plates in their parking lots.

In late 2010 and early in 2011, the banking/credit union sector was very active with several new branches either planned or opened. However, since the announced acquisition of HSBC's Upstate New York branch network by First Niagara, many financial institutions have put projects on the shelf in anticipation of surplus properties becoming available.

Quick Stats

	Current	Change from last Yr.
Vacancy	14.39 %	↑
Net Absorption*	(78,655) SF	↓
Construction	185,000 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

- New to the WNY retail scene in 2011: Michael Kors, Gordon Biertch, Corner Bakery and Cafe, Five Guys Burgers, White House Black Market and Joe's Crab Shack.
- Wal-Mart opens new Amherst supercenter in 2011 and commences construction of their North Tonawanda supercenter. Additionally, they announced construction to start on their Lockport supercenter in 2012.
- Retailers expected to add WNY locations in 2012 include: Coffee Culture, Qdoba Mexican Grill and Papa John's.
- Benderson Development set to start work on Donavan Building at Canalside.

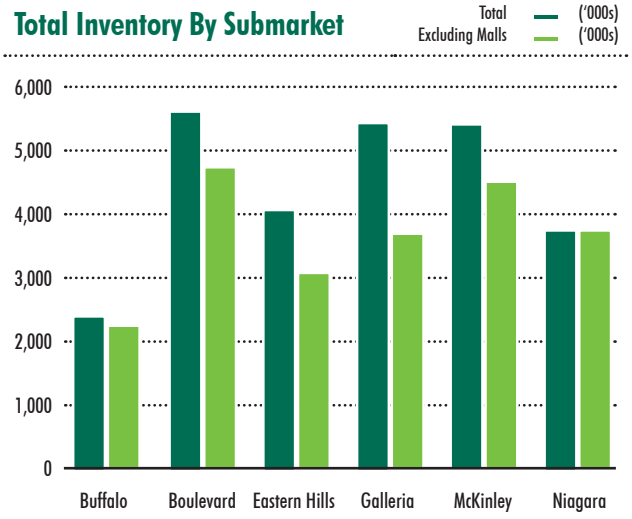
CBRE | Buffalo

© 2012, CBRE, Inc.

Market Statistics

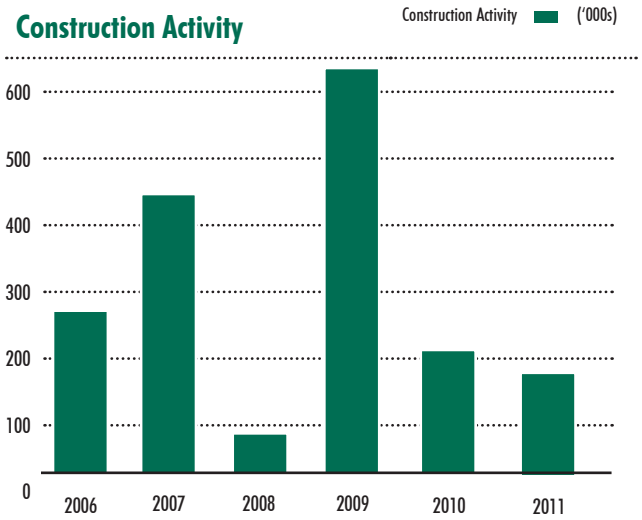
Submarket	Total Inventory SF	Change In Supply SF	Available Inventory SF	Vacancy Rate %	Change in Vacancy %	Net Absorption SF
City of Buffalo	2,368,703	0	609,741	25.74	0.39	(9,315)
Boulevard	5,503,381	185,000	559,736	10.17	1.25	99,429
Eastern Hills	4,024,513	0	303,257	7.54	0.64	(25,618)
Galleria	5,515,853	0	830,479	15.06	0.67	(88,331)
McKinley	5,341,518	0	866,281	16.22	0.81	(42,958)
Niagara	3,738,237,	0	642,964	17.20	0.32	(11,872)
Total	**26,492,205**	**185,000**	**3,812,458**	**14.39**	**0.90**	**(78,665)**

Total Inventory By Submarket



Following the trend from the last several years, the inventory for the Western New York Retail Real Estate Market increased by only a nominal amount in 2011. Tenant driven projects, such as the new Wal-Mart in Amherst, have fueled the increases in inventory. While the days of large-scale speculative retail developments are long gone and are not anticipated to reappear any time soon, a limited amount of peripheral speculative development did continue in 2011. Most of this occurred either in or around well-established power centers. Some older antiquated inventory is under scrutiny in the City of Buffalo, such as the Central Park Plaza. The court has ordered the owners of the Central Park Plaza to clean up the property and sell of the asset in a timely fashion. It remains to be seen as to whether or not this property can be purchased and redeveloped as viable retail center.

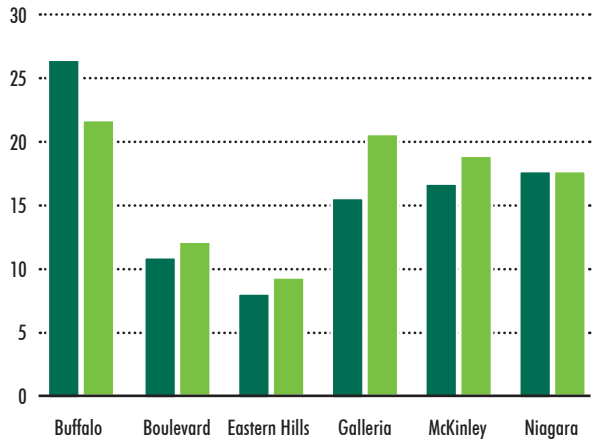
Construction Activity



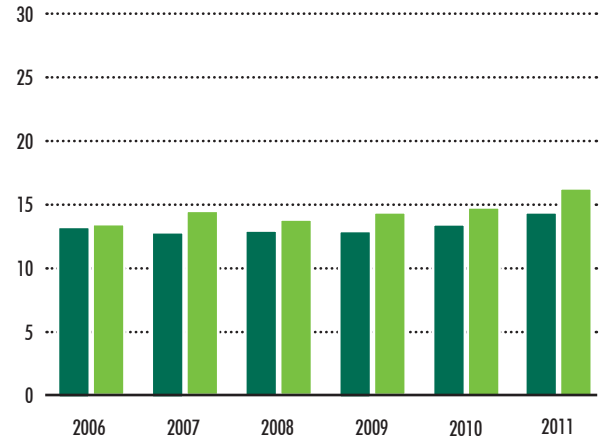
Construction activity in and around WNY strip centers and malls was primarily driven by pre-leased space in 2011. As previously mentioned in this report, Wal-Mart opened its newly constructed 185, 000 SF store in Amherst. Further improving this corridor, the adjoining plaza owner started a remodeling project in 2011. At the Galleria Mall in 2011, construction crews built out and converted vacant space for several national and international retailers. Also providing some construction activity were one-off freestanding bank branches, credit unions, and quick serve restaurants that opened in 2011.

© 2012, CBRE, Inc.

Vacancy By Submarket



Yearly Vacancy Comparison



All of the WNY retail submarkets experienced an increase in vacancies for 2011. The overall Western New York Market vacancy rate increased from 13.49% in 2010 to 14.39% for 2011. The Boulevard Submarket had the largest increase at 1.25%. This was primarily a result of Wal-Mart vacating their store on Niagara Falls Boulevard in Amherst. The remaining submarkets all had increases of less than 1%. Bankruptcies for national retailers were down in 2011 and new store openings were up, indicating a trend towards stabilization on the national level. In general, vacancies in premiere locations in prime markets are being absorbed by high-end retailers at premium rents.

Although it experienced an increase in vacancies in 2011, the Eastern Hills Submarket continued to have the lowest vacancy rate in WNY. It was also a very active submarket in 2011. Retailers such as Five Guys Burgers, Olive Garden, and Gymboree added stores in this submarket for 2011. Additionally the re-configuration of the Eastview Plaza and the expansion of Wegmans on Transit in East Amherst were started in 2011 in the Eastern Hills Submarket.

One the most active submarkets in 2011, was the Boulevard Submarket. The majority of the increase in the vacancy rate for this submarket can be attributed to Wal-Mart vacating there 130,000 SF store on Niagara Falls Boulevard in Amherst. On the upside, Wal-Mart opened the long embattled 180,000 SF supercenter on Sheridan Drive and Bailey Avenue also in Amherst. The owners of the TJ Maxx Plaza just [west of the new Wal-Mart on Sheridan Drive at Niagara Falls Boulevard] have also announced a new BJ's Wholesale Club and an updated TJ Maxx /HomeGoods store for 2012.

The Galleria Submarket had an increase of 0.64% in vacancies for 2011, making the current overall vacancy rate 15.06% for this submarket. Anchoring this submarket is the Walden Galleria Mall. In 2011, the 1.65 million SF super regional mall added several notable retailers to its already impressive tenant roster. Michael Kors, H&M, White House Black Market, Anthropologie, Gordon Biertch, and Fossil all opened in the "Galleria" in 2011. Several "big box" vacancies in the peripheral strip centers continue to have an adverse effect on this submarkets vacancy rate.

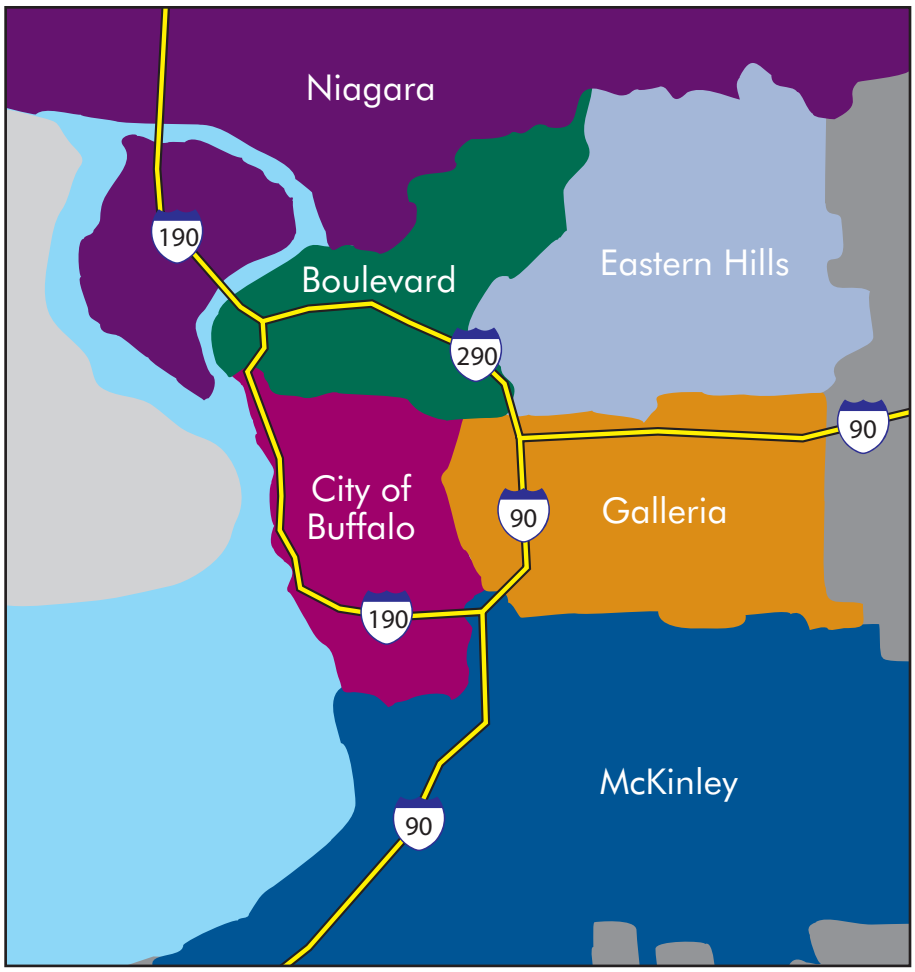
Ranked fourth in overall vacancy rates for 2011 is the McKinley Submarket. The rate for 2011 is 16.22%, which represents an increase of 0.67% over the 2010 rate. Similar to Galleria Submarket, the McKinley Submarket has several "big box" vacancies adversely affecting its vacancy rate. Active retailers for 2011 in the McKinley Submarket included Chipolte, Old Navy, Taco Bell, and AT & T Mobility. On the local scene, Redlinski's Red Hots opened on Seneca Street in West Seneca, offering a casual restaurant concept by local meat purveyor Redlinski's Meats.

Once again, the Niagara Submarket only experienced a slight increase in vacancies for 2011. The amount of the increase was 0.32%, resulting in an overall rate of 17.2%. Anchoring this submarket is the Fashion Outlets of Niagara which continues to attracts a significant amount of Canadian shoppers in addition to its strong local and regional customer base. New for the 2011 holiday season is an outdoor market in the area of the former Rainbow Mall in Niagara Falls.

The Buffalo Submarket also experienced only a slight increase in vacancies for 2011. A rate of 25.74% includes the 0.39% increase over the 2010 rate. North Buffalo continued to be an active corridor in 2011 with both the Shoe Dept. and Spot Coffee adding new locations. Target also completed their renovation/remolding project at Delaware Consumer Square. The expanded store now includes groceries and a pharmacy in addition to its traditional non-grocery items.

© 2012, CBRE, Inc.

Submarket Map



City of Buffalo
All properties within the City limits

Boulevard
West Amherst, Kenmore and Tonawanda

Eastern Hills
East Amherst, Williamsville and Clarence

Galleria
Cheektowaga, Depew and Lancaster

McKinley
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

CBRE | Buffalo would like to thank those who cooperated in the preparation of the Western New York Retail MarketView. 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.

© Copyright 2012, CBRE. Statistics contained herein may represent a different data set than that used to generate National Vacancy and Availability Index statistics published by CB Richard Ellis' Corporate Communications Department or CB Richard Ellis' research and Econometric Forecasting unit, Torto Wheaton Research. Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.

CBRE | Buffalo

For more information regarding the MarketView, please contact:
Michael Clark
CBRE | Buffalo
257 W. Genesee Street, St. 160
Buffalo, New York 14202
T. 716.855.3700 F. 716.855.3725
michael.clark@cbre.com