

# Buffalo Industrial Market

## Market Trends

Industrial activities remain a major contributor to the Buffalo-Niagara region's economy, led by logistics and manufacturing. The manufacturing and trade, transportation and utilities sectors support 154,000 jobs, or 28.2 percent of the region's total employment.

During April 2020, business interruptions in the Buffalo-Niagara region stemming from the pandemic produced the loss of 30,400 manufacturing and trade, transportation and utilities sector jobs, or 20.2 percent of the industrial-related employment base. Following the job loss in April, the manufacturing and trade, transportation, and utilities sectors have led the local economy's gradual recover. By year-end 2020, employment in these sectors added 29,000 jobs. During 2021, the manufacturing and trade, transportation, and utilities sectors added another 4,500 jobs with total employment exceeding pre-pandemic levels. Another 1,000 jobs were added in 2022.

## Overall Market Overview

By the fourth quarter of 2022, the Buffalo-Niagara industrial market supported 103 million square feet of space, consisting of 53.3 million square feet of logistics, 40.9 million of manufacturing, and 9.2 million square feet of flex space. Existing industrial space in the region is concentrated in the City of Buffalo with 30.0 million square feet of space, the Northtowns suburbs of Amherst and Tonawanda with 21.7 million square feet of space, and the eastern suburbs of Cheektowaga and West Seneca with 21.1 million.

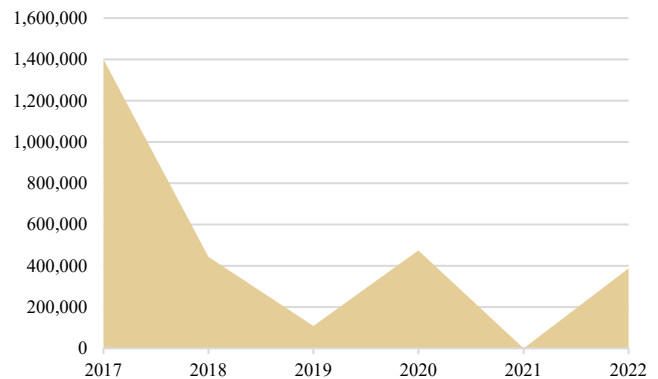
Over the past two years the Buffalo-Niagara industrial market has strengthened. With net absorption of 1.13 million square feet of space during 2021, the overall vacancy rate declined from 5.7 percent at year-end 2020 to 4.5 percent by the close of 2021. During 2022, net absorption of 1.3 million square feet of space further reduced the overall vacancy rate to 3.4 percent. Vacancies by product type included 1.3 percent for manufacturing space, 4.3 percent for logistics space, and 7.1 percent for flex space.

Given the increasingly tight market conditions in the Buffalo-Niagara market, industrial rents increased on average 5.8 percent in 2020 and 8.3 percent in 2021. Throughout 2022, industrial rents continued to escalate, increasing 8.6 percent to an average \$7.39 per square foot. By the fourth quarter 2022, average rents were \$7.13 per square foot for logistics space, \$6.64 per square foot for manufacturing space, and \$12.28 per square foot for flex space.

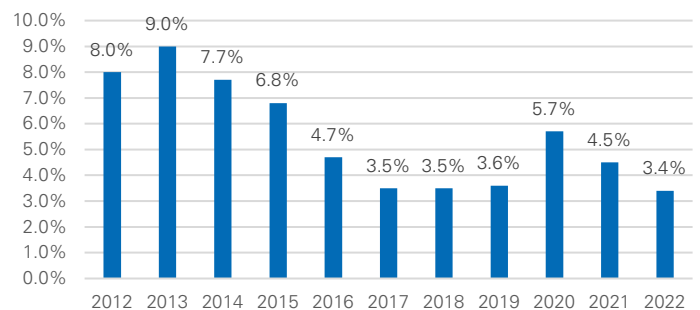
## Buffalo Industrial Market Trends 2022 Q4

Product Type	Inventory SF	Vacancy Rate	Avg. Rent/SF	YTD Net Absorption	Under Construction
Logistics	53,312,302	4.3%	\$7.13	648,832	478,000
Manufacturing	40,863,419	1.3%	\$6.64	639,006	0
Flex	9,195,436	7.1%	\$12.28	95,843	0
<b>Totals</b>	<b>103,371,157</b>	<b>3.4%</b>	<b>\$7.39</b>	<b>1,383,681</b>	<b>478,000</b>

## Buffalo Industrial Space New Supply



## Buffalo Industrial Market Vacancy Trends



**Overall Market Overview Continued...**

From 2017 through 2022, the Buffalo-Niagara industrial market added 2.8 million square feet of new space. Construction peaked in 2017 with the completion of 1.4 million square feet of building area, led by the Solar City plant in South Buffalo. No new industrial space was constructed in 2021. During 2022, seven buildings totaling 387,760 square feet were completed. By the close of 2022 a total of 458,000 square feet of industrial space was under construction in the Buffalo market.

Over the past decade vacancies for industrial space have steadily improved from a high of 9.0 percent in 2013 to a low of 3.5 percent for 2017 and 2018. The overall vacancy rate rose slightly in 2019 to 3.6 percent. The negative absorption of -1.8 million square feet of space during 2020 yielded a rise in the vacancy rate to 5.7 percent. During 2021 and 2022, the Buffalo-Niagara industrial market absorbed 2.43 million square feet of space reducing the overall vacancy rate to a healthy 3.4 percent.

In response to declining vacancies and a growing shortage of quality industrial space, rents have escalated considerably over the past several years. The average rent has increased from \$5.15 per square foot in 2016 to \$7.39 by 2022, increasing at annualized rates well above inflation ranging from 3.6 percent to 8.6 percent annually. Rents for logistics space have escalated at a rate faster than the market average.

During the first half of the 2010’s, the velocity of industrial building sales in the Buffalo-Niagara region gradually accelerated, increasing from \$40.4 million in proceeds during 2010 to a high of \$110.4 million by 2016. Following a two-year lull, 84 buildings sold in 2019 totaling \$76 million in proceeds. Industrial building sales remained strong throughout the pandemic, with a reported 75 transactions totaled \$72.6 million in 2020 and 73 transactions for \$85.2 million in 2021. During 2022, 89 industrial properties sold in the Buffalo-Niagara region totaling \$78.8 million at an average of sales price of \$33.13 per square foot. Much of the building sales since 2020 were to owner users.

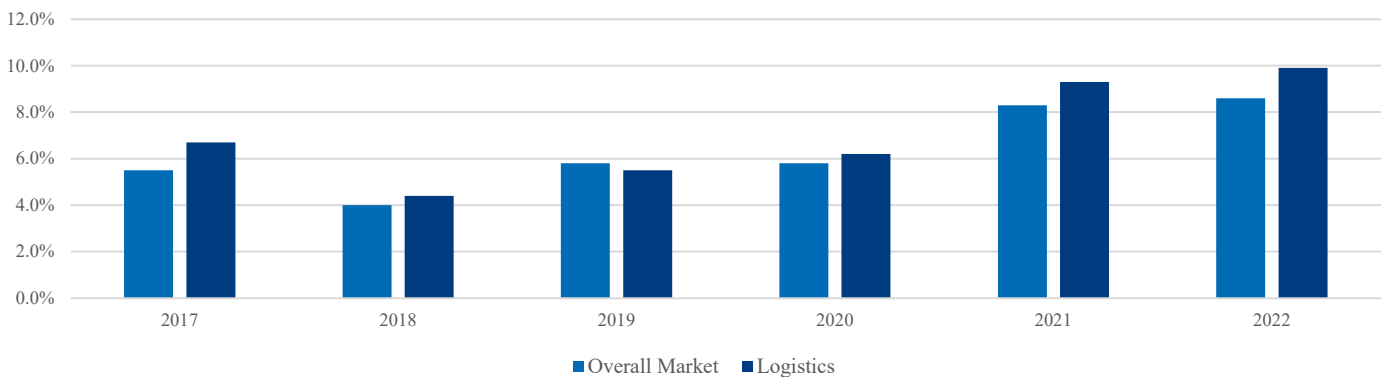
**Logistics Market**

Buffalo’s logistics market benefits from its proximity to Canada, the United States largest trade partner. The Buffalo-Niagara region accounts for 15 percent of the trade between Canada and the United States, equating to approximately \$75 billion annually.

As of the fourth quarter 2022, logistics space in the Buffalo-Niagara market totaled 53.3 million square feet operating at an overall vacancy rate of 4.3 percent and an average rent of \$7.13 per square foot. In response to tightening market conditions, average annual rents for logistics space have increased from 4.4 percent in 2018 to 9.9 percent by 2022. Buildings of 100,000 square feet or more account for nearly half of the region’s logistics space. Most of the large logistics buildings are in the western half of the metropolitan area, providing better access to the transportation infrastructure and the Canadian border crossings. Quality logistics space is in short supply. Logistics properties built since 2010 total 1.26 million square feet, or just 2.4 percent of the total inventory.

**Comparison of Annual Rate of Rent Increases**

**OVERALL MARKET VS. LOGISTICS SPACE**



### Logistics Market Continued...

Since 2010, a total of 3.5 million square feet of logistics space has been absorbed in the Buffalo-Niagara market, yielding a gradual decline in the overall vacancy rate from 12.0 percent in 2011 to a low of 4.2 percent by 2018. Since 2016, the overall vacancy rate has remained below market equilibrium ranging from 4.3 percent to 6.7 percent annually.

The continued shortage of newer quality space will place a constraint on the ability of local warehouse and distribution firms to grow and expand. Fortunately, two buildings totaling 478,000 square feet of space were under construction by year-end 2022, including the 328,000 square foot Sonwil Distribution Center within the Buffalo Lakeside Commerce Park and a 150,000 square foot speculative building within the Renaissance Commerce Park (Total Quality Assurance International has agreed to a lease for 81,000 square feet), the former Bethlehem Steel site in Lackawanna.

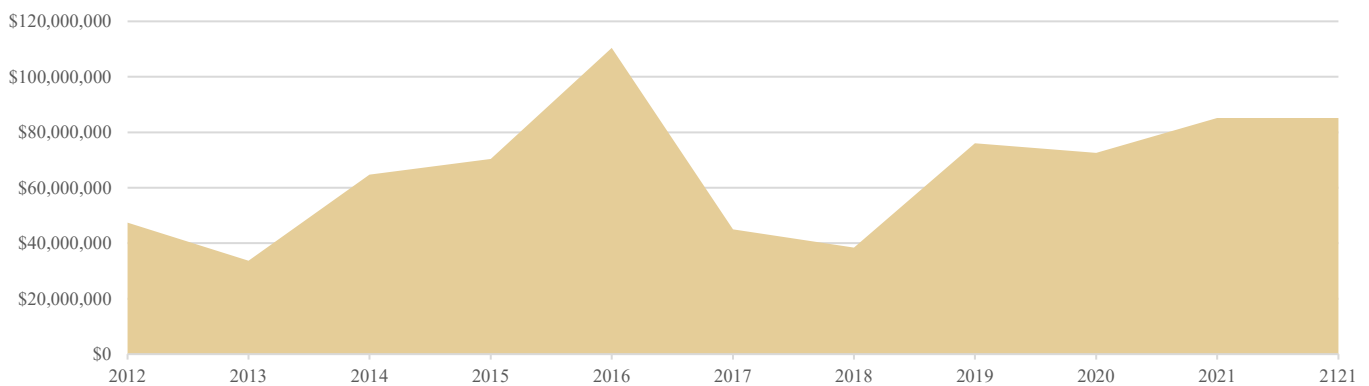
### Conclusions

The Buffalo-Niagara region’s status as a major international trade corridor with the lucrative southern Ontario market is a key force driving the industrial market, particularly for logistics operations. The desirability of the Buffalo-Niagara region as a logistics hub is supported by the recent construction of a new FedEx distribution facility and Amazon’s \$49 million, 181,500 square foot fulfillment center, both within the Lake Erie Commerce Center in Hamburg. Amazon has also announced plans to build a \$550 million, 3.0 million square foot distribution center in Niagara County.

As industrial-related employment in the Buffalo-Niagara region continues to grow demand for quality logistics and manufacturing space will intensify. The current tight supply of available quality space and escalating rents support the short-term construction of new speculative space.

Several large-scale industrial parks possess shovel-ready sites available for immediate development. One such site is the former Bethlehem Steel plant along the shores of Lake Erie in Lackawanna, New York. The Erie County Industrial Development Agency, through its development arm the Industrial Land Development Corporation, is redeveloping 240 acres and has installed road and utility infrastructure to a portion of the site. Now known as the Renaissance Commerce Park, TMP Technologies has constructed a 290,000 square foot facility, Sucro Sourcing occupies three existing buildings totaling 174,000 square feet for use as a raw storage warehouse, a sugar refinery, packaging and finished goods warehouse, and office space, and a 150,000 square foot speculative distribution building is now under construction,

**Buffalo Region Industrial Building Sale Proceeds**



*For more information:*

**Newmark Ciminelli**

50 Fountain Plaza, Suite 500  
Buffalo, NY 14202  
t 716-314-5410

**Kyle Ciminelli**

Executive Vice President  
Licensed Real Estate Salesperson  
t 716-817-2015  
[kciminelli@ciminelli.com](mailto:kciminelli@ciminelli.com)

**Tim Malchow**

Assistant Vice President  
Licensed Real Estate Broker, CCIM  
t 716-817-2040  
[tmalchow@ciminelli.com](mailto:tmalchow@ciminelli.com)

**Ed McGinn**

Director  
Licensed Real Estate Broker, CCIM  
t 716-817-2063  
[emcginn@ciminelli.com](mailto:emcginn@ciminelli.com)

**Zoe Hernandez**

Leasing Associate  
Licensed Real Estate Salesperson  
t 716-817-2062  
[zhernandez@ciminelli.com](mailto:zhernandez@ciminelli.com)

[newmarkciminelli.com](http://newmarkciminelli.com)

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [ngkf.com/research](http://ngkf.com/research).

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.