

Albany Office, H2 2019

Regional CBDs Improve Suburban Markets Steady

Overall Vacancy
11.8%

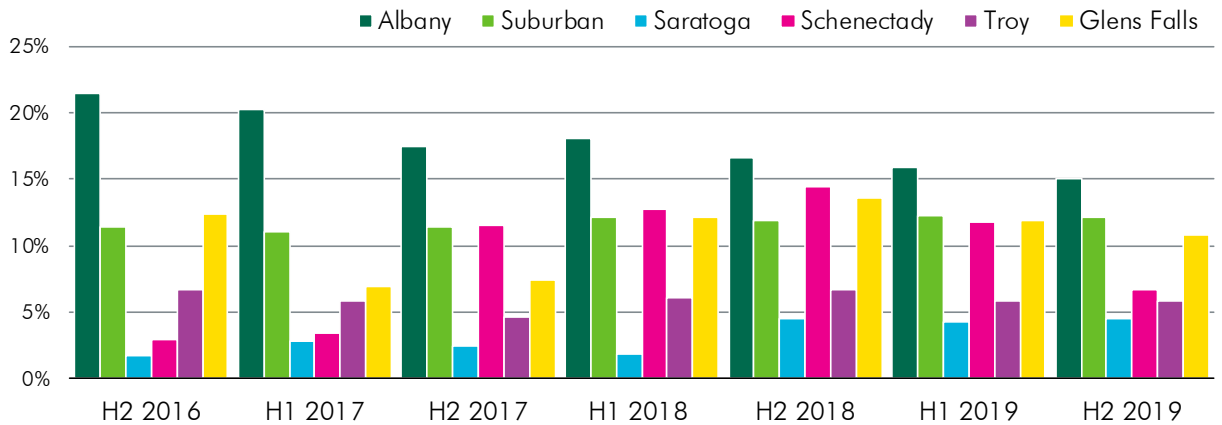
Asking Rates
\$18.50

Unemployment
3.6%

Total Inventory
30.3M

Arrows indicate change from previous reporting period.

Figure 1: Vacancy Rate %



Source: CBRE—Albany Research, H2 2019.

NATIONAL OUTLOOK

CBRE Research Reports:

- New supply outpaced demand in Q4 by 3.6 million sq. ft. For full-year 2019, however, demand surpassed new supply by 5.4 million sq. ft.
- The overall vacancy rate in Q4 was unchanged from Q3 at 12.1% but 30 basis points lower than a year ago.
- Annual asking rent growth rose to 5.2%, the fastest pace since 2016.
- Completions totaling 50.9 million sq. ft. in 2019 marked the eighth consecutive year of increased supply growth.

REGIONAL OUTLOOK

The H2 2019 Vacancy Rate of 11.8% represents a decrease of 50 basis points from the H1 2019 reporting period. The reduction was primarily a result of steady demand in the Class A category in most submarkets combined with limited turnover of spaces. An additional ±400,000 sq. ft. of Class A product is under construction and will come online during 2020. This includes relocations of >300,000 sq. ft. of existing tenants in the market and may impact absorption and vacancy rates by mid-year 2020.

Medical space development is a primary driver in the office market as both hospitals and large medical practices continue to grow their footprints in the region. A collaborative group of practices opened a ±54,000 sq. ft. medical facility in Colonie during H2 2019. There are four new medical construction projects underway in Saratoga County totaling ±118,000 sq. ft. with a planned 2020 delivery. Likewise, hospital groups continue their push into suburban markets with new urgent care centers scattered throughout the region.

Figure 2: Market Statistics

Market	Total Inventory (Square Feet)	Vacant (Square Feet)	Vacancy Rate %	Under Construction	Asking Lease Rates (Per SF, Full Gross)
Albany CBD Total	4,484,553	673,908	15.0		\$19.51
Class A	992,220	182,670	18.4		\$23.80
Class B	3,247,489	405,286	12.5		\$18.41
Class C	244,844	85,952	35.1		\$15.46
Glens Falls	1,147,511	123,391	10.8		\$16.79
Saratoga	603,984	27,444	4.5		\$24.75
Schenectady	2,080,608	139,222	6.7		\$17.38
Troy	1,307,751	77,352	5.9		\$17.70
Suburban Total	20,699,614	2,541,911	12.3		\$18.27
Albany	14,718,446	1,942,488	13.2	300,000	\$18.32
Saratoga	2,870,783	420,654	14.7	118,000	\$20.25
Schenectady	542,071	16,427	3.03		\$18.43
Rensselaer	2,568,314	162,342	6.3		\$14.68
Total	30,324,021	3,583,228	11.8	418,000	\$18.50

Source: CBRE—Albany Research, H2 2019.

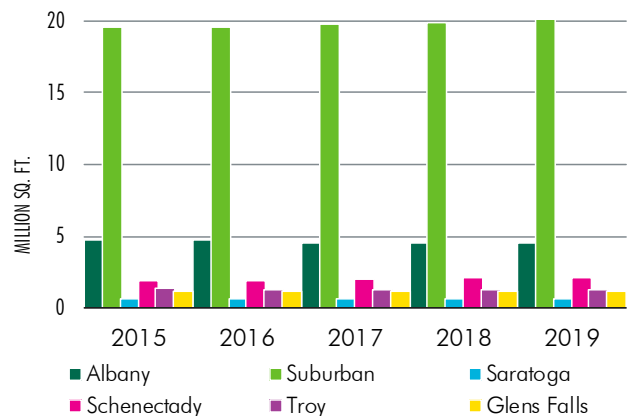
TRENDING TOPICS

- Century Hill Plaza in Colonie is nearing completion of a two-building ±150,000 sq. ft. addition to its park for Anthem Health/Empire Blue Cross. Across Route 9 in Latham, AYCO's new ±150,000 sq. ft. HQ will be ready for occupancy by May of 2020. Combined these tenant relocations will create over 300,000 sq ft of availability in the market during 2020.
- Co-working space had been limited to smaller <15,000 sq. ft. spaces throughout the regions' CBDs but announcements by several regional office landlords to enter the space sharing sector in 2020 combined with Novel Cowork's purchase 69 State Street in downtown Albany will create a strong supply of product in an untested demand sector regionally.
- The legal professional office space has experienced substantive shifting within the market as firms experience fractionalization, mergers and downsizing. It is anticipated this will create a greater demand for Class A legal space in the <10,000 sq. ft. size while opening up larger spaces vacated by impacted law practices.

TOTAL MARKET INVENTORY

The Total Market Inventory as of H2 2019 was 30,324,021. This inventory figure reflects an increase of approximately 1.1 million sq. ft. during the decade from H2 2009 through H2 2019, after adjustments for new construction, demolition, re-purposing and obsolescence. There is an expected 400,000 + sf. ft. scheduled to come online in the region during 2020.

Figure 3: Total Market Inventory



Source: CBRE—Albany Research, H2 2019.

UNEMPLOYMENT

The unemployment rate within the Capital Region was 3.6% as of December 31, 2019, which was an increase from the June 30, 2019 unemployment rate of 3.2%. The overall unemployment rate within the state totaled 3.7%, which was down modestly from the December 2018 rate of 3.9%. Saratoga and Albany Counties had the lowest rates within the Capital Region at 3.5% with both Rensselaer and Schenectady Counties close behind at 3.7% and 3.8%, respectively.

ASKING LEASE RATES (\$/SQ. FT.)

The overall regional average asking office lease rate of \$18.50/ sq. ft. full service gross as of H2 2019 reflects the gradual tightening of the Class A office markets in both Suburban and the CBD submarkets. The Saratoga CBD continues to be the strongest submarket in terms of asking lease rates with an H2 2019 average rate of \$24.75/ sq. ft. The Suburban submarket, the largest in total inventory, remained basically unchanged at \$18.27/ sq. ft. whereas the Albany CBD asking lease rate decreased slightly from H1 2019 to \$19.51/ sq. ft. at H2 2019.

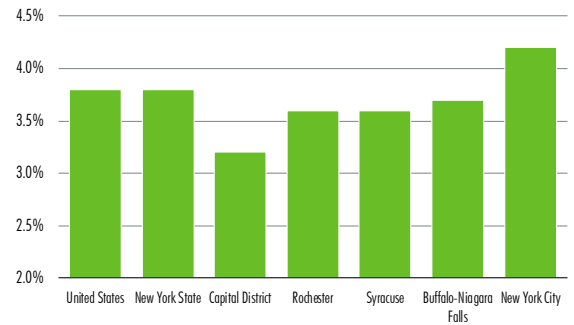
OFFICE VACANCY SQUARE FEET

Total vacant square footage within the market area surveyed as of H2 2019 totaled ±3,583,228 sq. ft., or 11.8% of the overall market. These figures represent a decrease in vacancy from the H1 2019 levels of 12.3%. Vacancy rates remained fairly stable in most submarkets since H1 2019 with the exception of the Albany CBD which experienced an overall decrease to 15% at H2 2019 from 15.9% at H1 2019.

OFFICE ABSORPTION

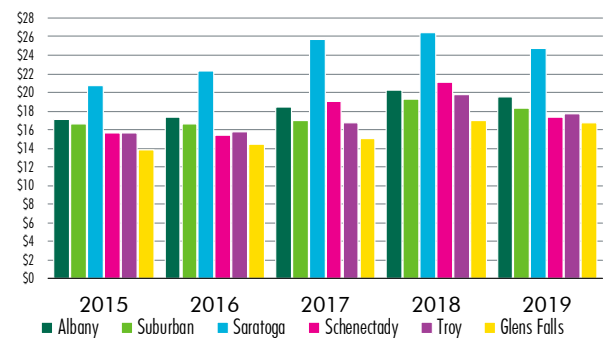
Absorption in the region was strong in 2019 reflecting the tightening vacancy rates. After adjustments for new construction, removal of repurposed buildings, and market lease-ups the absorption for H2 2019 was 879,793 sq. ft.

Figure 4: Unemployment



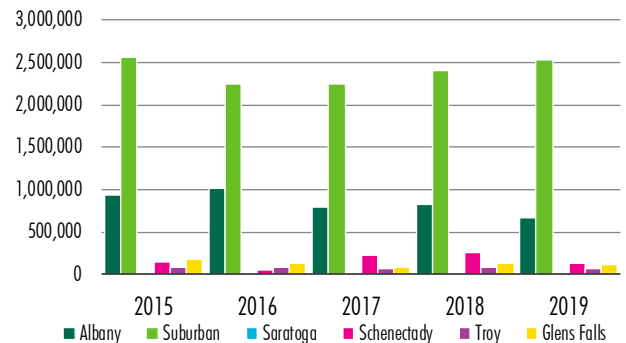
Source: NYS Labor Department December 2019.

Figure 5: Asking Lease Rates (\$/Sq. Ft.)



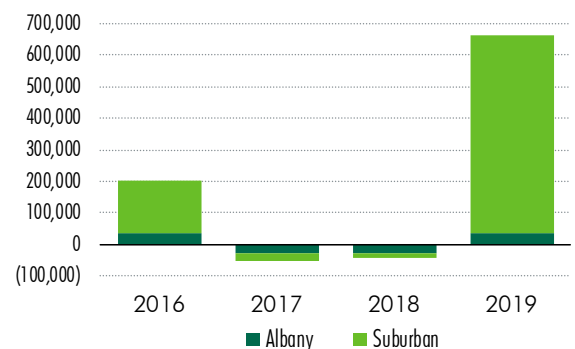
Source: CBRE—Albany Research, H2 2019.

Figure 6: Office Vacancy Square Feet



Source: CBRE—Albany Research, H2 2019.

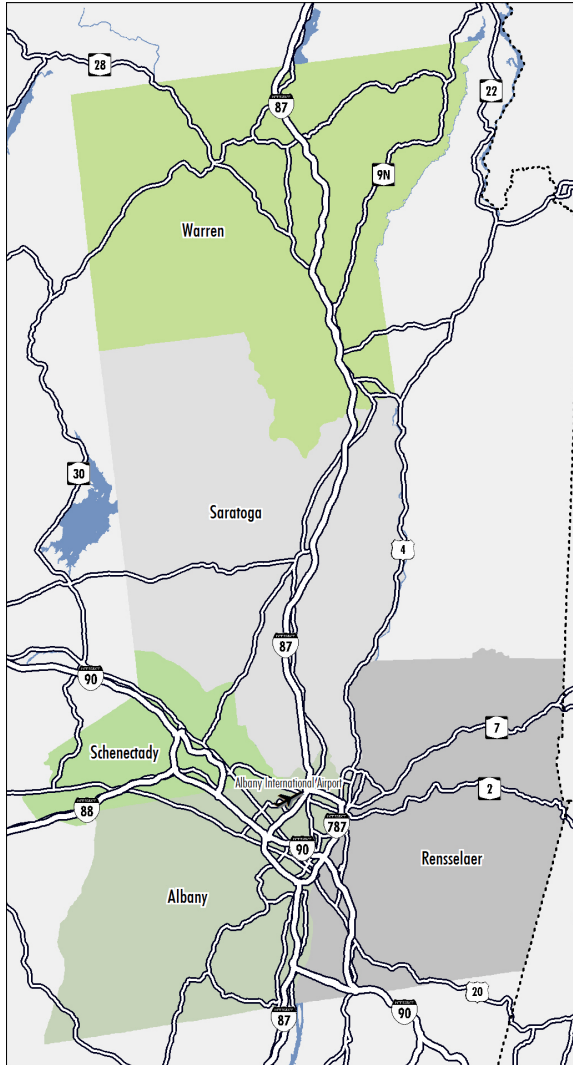
Figure 7: Office Absorption (Sq. Ft.)



Source: CBRE—Albany Research, H2 2019.

Albany

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DEFINITIONS

Asking Lease Rate: Average of Asking Lease Rates for each property weighted by the associated Available Space. Includes Direct Available Space unless otherwise indicated **Gross Leases:** Includes all leases wherein a tenant pays an agreed rent amount per year, usually paid monthly, and that rent payment includes monies to the Landlord which cover the building operating expenses including but not limited to taxes, maintenance, utilities and insurance. **Market Coverage:** Includes all competitive office buildings 10,000 sq. ft. and greater in size in Albany, Rensselaer, Saratoga, Schenectady, and Warren Counties **Net Absorption:** The change in Occupied sq. ft. from one period to the next **Net Rentable Area:** The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas **Occupied Square Feet:** Rentable Building Area less Vacant Space **Under Construction:** Buildings that have begun construction as evidenced by site excavation or foundation work, and is on-going **Available Space:** Space being marketed to potential occupants, in Rentable sq. ft. (direct and sublease combined, unless otherwise indicated) **Availability Rate:** Available space as a percentage of the Base Inventory or Building sq. ft. **Vacant Space:** Available Space that is physically vacant, in Rentable sq. ft. **Vacancy Rate:** Vacant space as a percentage of the Base Inventory or Building sq. ft. **Class A Space:** Excellent location, high quality tenants & finish, well maintained, professionally managed, usually new space or space that is competitive with new buildings **Class B Space:** Good location, professionally managed, fairly high quality construction and tenancy, showing little or no functional obsolescence or deterioration **Class C Space:** Building with significant obsolescence that has not been brought up to current standards

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MARKET AREA DESCRIPTIONS

Albany Central Business District: Lark Street (West) to Hudson River (East); Livingston Avenue (North) to Madison Avenue (South)

Suburban Market: Suburban Albany (City), Colonie, Guilderland, Bethlehem, Clifton Park, Halfmoon, Glenville, Malta, Niskayuna, East Greenbush, North Greenbush, Schodack.

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