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DOWNTOWN MARKET INFORMATION, 10/26/12 Rochester, NY

DOWNTOWN SUMMARY

Total 2012 Investment = \$545 M. total, \$253 M. in private development

Market-Rate Housing in Pipeline = 12 projects, 414+ units

Existing Housing = 2,809 units, 4,983 downtown residents

Market-Rate Housing = 1,941 units, 3.7% vacant

Housing Added Since 2000 = 822 units

All Office Space = 11 M. sq. ft., 108 buildings, 87.5% occupied (May 2011)

Competitive Office Space = 6.7 M. sq. ft., 85 buildings, 79.4% occupied (May 2011)

Employment Base = 50,000+ workers

Annual Visitors = 5 million+

Colleges & Universities = Eastman School of Music, Monroe Community College, SUNY Brockport MetroCenter & SUNY EOC

Potential Impactors:

- Recent expansion at Eastman Theatre Complex
- Eastman School of Music (900 students, 250 FTEs)
- New expanded SUNY REOC campus, with culinary arts program and restaurant
- Redevelopment of 8.5-acre Midtown Block
 - Windstream relocation
 - Midtown Tower conversion to residential and mixed-use
- New and expanded MCC Damon City Campus
- Rochester Riverside Convention Center, Hyatt, Radisson, Rochester Plaza, 384 East Avenue Inn & Suites, and Inn on Broadway hotels, plus proposed Hilton Garden Inn
- Transit Center project
- Cascade District office developments (Nothnagle, Passero, North Plymouth Terrace)
- New housing throughout downtown

GENERAL TRENDS

The Rochester Downtown Development Corporation (RDDC) is tracking \$545 million in development underway in 2012 in downtown Rochester. The volume of market-rate residential development downtown has jumpstarted a major transformation of the center city over the past decade. A total of 36 downtown buildings are being or have been converted to residential and mixed-use since the year 2000, and downtown's residential population has grown by 1,480 people to nearly 5,000 (with an additional 750 more anticipated over the next few years).

ROCHESTER DOWNTOWN DEVELOPMENT CORPORATION

For the first time in decades, 2011 saw a modest reversal in the flight of office tenancy to the suburbs. The overall vacancy rate in 2011 was below every year except one since 1998. Vacancy for competitive office space was up by 1.5%, and absorption was down by 106,665 square feet over 2010. The downtown office inventory remained flat, experiencing a very slight net decrease of 14,616 square feet. Four more buildings totaling 70,270 square feet came off the market for housing conversion between 2010 and 2011.

However, the sluggish economy continues to influence office tenancy downtown and in the region. With Windstream's announcement, 16 companies have either moved downtown from the suburbs or announced plans to do so, or have chosen to stay and expand downtown over the past three years. Notably, the largest of those are occupying new buildings which has left some of the office towers with increased vacancy. The downtown market report for May 2012 is due out in November.

High occupancy rates continue to drive housing development in Rochester's downtown, with the fairly recent appearance of more condos and other for-sale products. Market-rate rental housing remains strong with last year coming in below 4% for the third year in a row (3.9% in 2011). In last year's report, one-bedrooms continued to be most highly desired rental units, with recent increases being reported by property managers and owners for two-bedroom units.

(RDDC's full 2011 downtown office space and rental housing vacancy reports can be downloaded at www.rochesterdowntown.com, by clicking "RDDC Surveys & Reports" on the homepage.)

DOWNTOWN NEWS

RDDC is tracking \$545 million in downtown development projects announced and underway in 2012, with more anticipated. The past four years downtown have been marked by the shifting news on a handful of large-scale, high impact projects and trends:

RIT's Center for Urban Entrepreneurship – Donated to RIT by the local Tait & Leenhouts family, the former RCSB Bank building at 40 Franklin Street will become an incubator for start-ups and a center for learning about and supporting the creation of new entrepreneurial ventures. RIT is investing \$3.2-5.2 million and the new Center will be designed and run by RIT's new business school dean, recently recruited from Rutgers where she operated a similar venture in downtown Newark for Rutgers University. RIT plans to open the revitalized facility in the fall of 2013.

Midtown Block – This nearly nine-acre, City-owned site had eight commercial buildings, a retail mall, and three levels of underground parking. All of the planned demolition was completed in December 2011. Projects slated for this block to date include the Windstream Building, the Midtown Tower residential conversion project, rebuilding of the underground truck tunnel and 1,850-space parking garage, a new public greenspace, and a reconfigured street grid.

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Windstream Building – Alabama-based Windstream has purchased the former PAETEC Communications company, and announced plans in November 2011 to move 335 suburban employees to a tenant space on the west side of the Midtown Block. The Pike Company is building the structure, utilizing the remaining steel frame of the former Seneca Building. The project is under construction and will be complete by July 2013.

Midtown Tower – The Christa Companies and Morgan Management have announced plans to convert the existing 17-story Midtown Tower to mixed-use with over 200 market-rate housing units (a mix of rental apartments and condos) and 92,000 square feet of commercial space on the lower floors. The project is currently assembling a complex financing package and fine-tuning the development plan.

MCC Damon City Campus – Monroe Community College plans to relocate an expanded downtown campus to about 300,000 of 500,000 square feet at the southeast corner of the Kodak Office property on State Street, in the High Falls neighborhood. Downtown enrollment is expected to go from a current 2,500 to 4,000 students when the new campus opens in 2015.

Transit Center – Located just north of Mortimer Street between Clinton and St. Paul, this large-scale project will move the bus transfer function off of Main Street, allowing on-street parking to be introduced when funds for infrastructure rebuilding are secured. National retail experts report that each on-street parking space is worth \$150,000-300,000 per year in retail sales, thus allowing the rebirth of retail on Main Street to serve the growing residential population in the St. Paul Quarter and East End neighborhoods.

Major on-street bus transfer stops at Main & Clinton, St. Paul and Mortimer, and the Liberty Pole will all be relocated inside this modern, climate controlled, transit facility which is due to begin construction in 2012 and be completed by mid-2015.

Sibley Centre – This 929,000 square foot complex is due to be purchased in late October 2012 by Winn Development out of Boston, MA. This historic property consists of the former six-story department store portion, and a 15-story attached office tower. Winn Development is exploring a residential conversion of the tower, as well as new commercial tenancy opportunities for the remainder of the complex. MCC, which occupies approximately 200,000 square feet, has recently signed a five-year re-up lease while development of the Kodak site moves forward to completion in 2015.

Alexander Park (former Genesee Hospital) – Buckingham Properties purchased the property in 2006 and is investing over \$100 million in this visionary project. Phases I & II included the construction of two new office buildings and a Canandaigua National Bank branch, and the purchase of 17 additional properties across Alexander Street.

A large portion of the former hospital structure (which closed in 2001) has been demolished, and Phase III is slated to create a new construction and conversion mixed-use housing & lifestyle center on that portion of the site. The two existing medical office buildings are now full, and Rochester General Hospital has now located its Imaging and Industrial Medicine programs in an adjacent medical office building built on the Alexander Park site.

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Earthlink consolidated 370 suburban and downtown employees into one of the two new office buildings in late 2011, and has now grown to 525 people. The Canandaigua National Bank branch opened in late 2010.

ESL Federal Credit Union Headquarters – This \$67.5 million project opened in the spring of 2010 with 370 employees relocated to a new headquarters building from their former suburban space. This project has transformed the urban landscape on the key downtown gateway of Monroe Ave./Chestnut St. across from the Strong National Museum of Play and is credited with helping to reverse the trend of downtown corporate move-outs to suburban office parks.

Growth in the Upper East End, Main & Clinton, and Cascade Districts – New projects in these downtown neighborhoods are changing the density and activity levels, and sparking increased investor interest.

Housing Development – In the decade 2000-2010, downtown’s residential population has grown by 11.5%. Since the year 2000, 27 downtown buildings have been converted to housing, and eight new housing projects have been built adding 1,480 new residents to downtown. There are currently 11 housing projects in the pipeline – eight conversion projects, and three new construction. Over 750 new downtown residents are anticipated over the next few years, and more project announcements are anticipated.

Retail – New housing projects and residential conversions are continuing to grow and stabilize the marketplace, and along with the cleared Midtown Block will ultimately create renewed value for downtown commercial property. There are ten downtown residential projects now in the pipeline and several more are nearing announcement. Within a few years, these new developments will grow the downtown residential population to nearly 6,000. As national experts advise that “retail follows rooftops”, it is anticipated that the office market will continue to respond positively to a center city with more street vitality generated by more residents, retail shops, restaurants, and night life.