

Binghamton, NY

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This trend was most evident in the industrial market. As local manufacturers shed jobs, the unemployment rate climbed by three points, and demand for warehouse space slackened among local and national companies, vacant industrial and flex space increased and net absorption turned negative. Overall industrial vacancy edged up to 12.4% as the year ended. While a number of companies downsized or shuttered operations, the picture was not totally one-sided:

- A better than average distribution facility of 164,000 square feet attracted two bidders at an above market rate.
- A long-vacant 30,000 square foot flex building sold to a growing company at a premium price.
- A 40,000 square foot building was completed for an electronics manufacturer, moving within the City and anchoring a new business park.

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The suburban office market was impacted by renewal negotiations for sizable blocks of back office space occupied by national and regional companies. Significant downsizing by one claims processing tenant pushed up the vacancy rate for flex/office service space to 21.9%, while other call center tenants created additional uncertainty in the market by delaying decisions or opting for shorter term lease commitments. In the CBD, leasing activity was fairly brisk, but a significant portion of this activity was driven by tenants fleeing a 166,000 square foot building threatened with utility shut-offs and foreclosure after losing its anchor tenant the previous year.

OFFICE MARKET STATISTICS

MARKET	INVENTORY	OVERALL VACANCY	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE psf/yr
BNG-City	2,169,624	25.5%	12.09
BNG-NW	874,353	17.9%	NA
BNG-NE	98,383	3.7%	NA
BNG-SW	890,458	0.6%	\$12.00
BNG-SE	729,293	7.8%	NA
Total	4,762,111	16.3%	\$12.04

- Another rapidly expanding electronics manufacturer emerged at the prospective buyer for 163,500 square feet of newly-vacated manufacturing space.
- A food distribution company reoccupied 100,000 square feet of flood damaged warehousing.
- Several leases were consummated for blocks of warehouse space ranging from 20,000 to 40,000 square feet.

INDUSTRIAL MARKET STATISTICS

MARKET/ SUBMARKET	INVENTORY HT/MF/OS/WD	OVERALL	DIRECT WEIGHTED AVERAGE		
		VACANCY RATE	NET RENTAL RATE*		
			MF	OS	W/D
BNG-City	4,273,846	14.33%	\$4.00	NA	\$3.50
BNG-NW	8,567,847	14.51%	\$4.00	\$12.50	\$3.50
BNG-NE	657,695	6.11%	\$3.50	NA	\$4.00
BNG-SW	1,145,765	10.16%	\$4.50	NA	\$4.50
BNG-SE	4,893,617	3.36%	\$5.00	NA	\$4.50
TOTAL	19,538,770	11.14%	\$4.00	\$12.50	\$4.00

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Additional tenants relocated to make way for an 800 bed student housing development-another illustration of the major impact that Binghamton University is having upon the city. Almost all of the newly occupied Class A space in the city has been created by conversion or redevelopment projects, resulting in increase in the quantity and quality of office space in the CBD, and increasing rental rates, despite the competitive market.

While retail activity has slowed, as drug, stores and other rapidly growing chains shelved expansion plans, the market has experienced some expansion and new construction. Highlights include: the opening of a new 15,500 square foot Aldi's on Upper Front Street, groundbreaking for a new 132,000 square foot Super Wal-Mart in Johnson City, the construction of a 30,000 square foot Best Buy on the Vestal Parkway, and the opening of two newly constructed hotels on the Parkway - a Holiday Inn Express and a Comfort Inn & Suites. Also in Vestal, the remodeled University Plaza is almost fully tenanted. On the other side of the ledger, a 30,000 square foot space was vacated by Circuit City shortly after construction began for its rival, Best Buy; 12,000 square feet on a prime parcel of 1.6 acres fronting the Town Square Mall has found no takers; and smaller strips, without traffic generating anchors, continue to experience difficulty in leasing up.

In the investment market, interest in multi-family property continued to be strong, reflecting the preference of that asset type across the country. The largest sale during the year was a 414 unit garden apartment and town house complex built as low income housing. Activity in multi-tenant retail and office properties stagnated due to increasing vacancy rates and the general malaise of the financial markets. Two sales of industrial properties, both occupied by Fed Ex, reflected the underlying strength of the market for single tenant, net leased investments. A 25,000 square foot building, built-to-suit twenty years ago, was sold on a five year renewal at an 11.5% percent cap rate and a newly constructed 62,000 square foot facility sold at an 8.5% cap rate for a ten year base term.

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