

The New York State Capital District is a seven county area located in the eastern portion of New York. Albany, Schenectady, and Troy are the three major metropolitan areas with the MSA of approximately 1,000,000 people, now stretching to Saratoga Springs to the north. The primary cities are located, for the most part, at the confluence of the Mohawk and Hudson Rivers and were settled over three centuries ago.

**INDUSTRIAL PARKS**

Three major industrial parks, located on the western side of the tri-cities dominate the warehouse and distribution needs of the region. Northeastern Industrial Park, Rotterdam Industrial Park and the Scotia/Glenville Business & Technology Park, are owned a limited number of landlords. The portfolio totals over 28,000,000 square feet of space ranging from new construction to 60 year old buildings constructed for the U.S. Army and Navy that are almost functionally obsolete.

<b>INDUSTRIAL MARKET STATISTICS</b>						
CAPITAL DISTRICT	INVENTORY HT/MF/OS/WD	OVERALL	DIRECT WEIGHTED AVERAGE			
		VA-CANCY RATE	NET RENTAL RATE*			W/D
			HT/FLEX	MF	OS	
Class A-B	60,000,000 (Combined A, B & C)	10%	9.00-12.00	6.00	.15 Bulk	3.75
Class C				3.50	.30 Fenced	1.00
<b>TOTAL</b>	<b>60,000,000</b>	<b>10%</b>				

**WAREHOUSE CONCENTRATIONS**

The Region is intersected by two major road systems, Interstate 87, running north and south between New York City and Montreal, and Interstate 90 connecting Boston and Buffalo. A series of ring roads connect the three cities and surrounding suburbs and it is at these intersections that most industrial hubs are located. The town of Colonie, central to all, has the Fuller Road, Post Road and Walker Way developments. In the City of Albany, West Albany Industrial Park and the Broadway corridor are where a preponderance of industrial and warehouse buildings sit. Green Island, on the north east side of the region, has seen rapid development in the last ten years at a former Ford Motor Company site. Below average electrical costs, provided by the Green Island Power Authority, have provided the competitive edge that jump started that project.

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## **DISTRIBUTION CENTERS**

Recognizing the proximity of the Capital District to so many population centers with such an excellent road system, many major retailers have located in the region. Target, Wal-Mart and Ace Hardware have one or more distribution locations. These locations are to the north and west of the transportation hub due primarily to the lack of vacant land and difficult permitting processes found in many municipalities.

## **RAIL AND RIVER**

Transportation linkages which connect the Capital District internally and externally are a critical factor for its economy. As a result, the State of New York has obtained funding to provide for a package of rail improvements which would include the reconstruction of the Western Gateway Transportation Center intermodal facility in downtown Schenectady.

In 2001, a 1 million dollar grant funded the Port of Albany to acquire a heavy lift crane. That investment has been followed by several millions of dollars in State funds to make significant improvements to the Port's dock, rail, and warehousing facilities, most recently in 2010 to replace the last section of the old Port dock. These improvements have allowed the Port to make dramatic increases in its tonnage handled, helping to establish Albany as an Inland Port serving as a distribution point for intermodal containers from PANYNJ.

The Ports of Selkirk and Rensselaer also serve as distribution points for the Capital District.

## **NEW DEVELOPMENTS**

30 miles to the north of Albany in Saratoga County, Advance Microchip Development Corporation is constructing a new microchip fabrication plant. Currently under construction, it is one of the largest ongoing projects in the country. In anticipation of ancillary growth in the business, well over 500,000 square feet of warehouse/distribution and flex space are currently in the approval process.

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Leasing activity in the Albany Central Business District office market has slowed - mostly because of consolidation of State leases and some retrenchment back into State owned space. This has resulted in numerous large square footage vacancies in the CBD. Some private sector leases have been lost to the suburban market where parking is free and lease rates can be up to \$4 less for comparable spaces. The slow up in the suburban market is mostly due to the reluctance to make high cost decisions in an uncertain economy.

The uncertain economy has created a more cautious approach by potential tenants and buyers. Many are waiting to see results from their own businesses, and the economy in general. As a result, tenants are resistant to commit to a term of more than 5 years, possibly with a 3 year escape or a request for shorter lease terms. The shorter terms with escape clauses have also had a negative affect on landlord's ability to finance new starts and major tenant improvements. Some are reluctant to move at all, opting for a quick 1 to 2 year renewal to see what lies ahead. Another trend for those that decide to move is to look at consolidating or downsizing space requirements and to consider moving back to B from A space.

Vacancy rates are expected to increase in the CBD while remaining level in the suburban market.

The Capital District, as it had been commonly referred to, encompassed the cities of Albany, Schenectady and Troy, with the Town of Colonie located in the center of the triangle formed by the three. A rapidly growing and economically significant area just to the north of the immediate Capital District is Saratoga County, with the City of Saratoga Springs forming the northern boundary. Today, the Capital Region includes Saratoga Springs with Albany, Schenectady and Troy.

There are no major office projects underway in the immediate tri-city area. The 230,000 square foot Price Chopper headquarters in downtown Schenectady brings to a close the last major construction project in the area. Projects generally start only after developers receive commitments on at least 50% of the space. There are, however, a significant number of approved projects in both the Albany and Schenectady CBDs as well as in Rensselaer County. Re-construction projects are progressing, hoping to attract tenants. New builds will most likely await a significant anchor prior to start.

### OFFICE MARKET STATISTICS

MARKET	INVENTORY	OVERALL VACANCY	DIRECT WTD. AVG. GROSS RENTAL RATE MODIFIED GROSS psf/yr
<b>ALBANY CBD</b>			
Class A	1,000,000	140,000 (14%)	21.00
Class B	4,600,000	1,600,000 (35%)	16.00
Class C	500,000	200,000(40%)	11.00
<b>Total</b>	<b>6,100,000</b>	<b>1,940,000</b>	
<b>SUBURBAN</b>			
Class A	7,000,000	550,000 (8%)	17.50
Class B	8,000,000	1,120,000 (14%)	15.50
Class C	3,200,000	544,000(17%)	11.00
<b>Total</b>	<b>18,200,000</b>	<b>2,214,000</b>	
<b>Total</b>	<b>24,300,000</b>	<b>4,154,000</b>	

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In Schenectady County, the former American Locomotive Company (ALCO) site located on the Mohawk River, at the north end of the CBD, has received SEQR approval and has the full backing of the Metroplex Development Authority. It should be noted that this agency has the economic muscle that gives Schenectady a decided edge in securing assistance in any approved project. Demolition has begun, however, new construction will most likely await tenants.

The City of Troy has seen the Congress Street development district stall in the water. The ambitious joint venture between the city and Rensselaer Polytechnic Institute has hit financial impediments due to the lack of funding by both partners.

Suburban development sites abound but approvals for new construction can be difficult to obtain. New projects submitted to the Town of Colonie can take up to two years for full approval. Airport Park and Century Hill, both located in the town near the Albany International Airport have available land and preliminary approvals in place for office construction. Rensselaer County sites are in a position to move more quickly for new projects.

In Saratoga County, Advance Microchip Devices is under construction on a \$4 billion manufacturing plant. Located 20 miles north of Albany, this operation, coupled with the School of NANO Technology Science, located adjacent to the SUNY Campus in Albany, are seen as the gateway to growing research and development and economic development.

**Capital Region, NY**

The Capital Region, as it is commonly referred to, encompasses the cities of Albany, Schenectady, Saratoga and Troy, with an MSA of approximately 1,000,000. Commercial real estate activity in the area has continued to look upward as there are several large scale economic projects underway. The Capital Region is quickly becoming known as the TECH valley of the northeast USA with huge manufacturing projects at exit 12 of the Northway (I-87). This region marks the crossroads from Canada to NYC and Boston to Buffalo and draws the retail consumer to major shopping centers such as Colonie Center and Crossgates Mall while also enjoying unique regional shopping centers like Stuyvesant Plaza and Clifton Park Center. The recent closures of Borders and Ultimate Electronics have created a few large vacancies; however, new retailers in the area include Shop Rite, Vitamin Shoppe, Fresh Market, Hobby Lobby and Buy Baby Buy.

In Albany County, the Central Avenue and Wolf Road retail corridors have undergone numerous renovation and facelift projects. Colonie Center, home to Macy's, Cheese-cake Factory and PF Chang's, has finished a multi-million dollar renovation including seating areas with fireplaces and a playground. Crossgates and Crossgates Commons boasts a large, diverse selection of shops such as the expanded Forever 21 and the relocated Aeropostale. The Latham Circle retail corridor, exit 7 off of the Northway, continues to fill open spaces with the exception of the Latham Circle Mall which is slated for a major overhaul in the near future. In the Town of Bethlehem, the Delmar and Glenmont retail areas have little to no vacancy and developers have proposals for new projects before the planning boards.

<b>RETAIL MARKET STATICS</b>				
(Net Rent/Sq Ft/Year)	Low	High	Effective Average	Vacancy
Retail				
Downtown	\$10.00	\$17.00	\$13.50	25.0%
Neighborhood Service Centers	\$6.00	\$12.00	\$9.00	15.0%
Community Power Centers	\$17.00	\$35.00	\$22.00	8.0%
Regional Malls	\$25.00	\$45.00	\$35.00	10.0%

Saratoga County has been abuzz with the Global Foundry chip plant construction projects due to be completed in 2012. The town of Malta, exit 12 off of the Northway, is steadily growing, opting to keep a small town feeling with neighborhood plazas and smaller strip malls. Nearby at exit 15, Route 29, Wilton, home to Wilton Mall and several big box strip plazas, shows persistent growth with most developers maxing out their existing space and vying for more. Downtown Saratoga keeps its eclectic shopping/dining charm while keeping the vacancies to a minimum.

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While it is a short drive up the Northway at exit 19, the Glens Falls/Queensbury shipping corridor, including the Aviation Mall and the Lake George Outlets, continues to fill open spaces. Construction has begun on property adjoining the Aviation Mall and strip centers that have begun facelifts are filling vacancies.

Schenectady CBD is seeing new construction and that is being fueled by the local publicly funded Metroplex Authority focused on redeveloping the immediate downtown retail/theater district. The Altamont Avenue and Rotterdam Mall retail areas continue to keep up the pace and filling empty spaces. Mohawk Commons on Balltown Road has little to no vacancy while local developers have begun a new 80,000 square foot complex across the street called Mansion Square.

Rensselaer County, Route 4 in Troy and East Greenbush has outgrown its existing retail space and projects that were put on hold have been resurrected and are actively marketing their upcoming plaza spaces.