

The Binghamton market hit the bottom of the recessionary trough in 2010, beginning a slow climb back toward pre-recessionary economic activity. However, reports at year end and in the early months of 2011 indicated that few of the key metrics had turned positive. Unemployment in the Binghamton MSA stood at 9.6% in January 2011, down from a record of 10.1% a year earlier, but still higher than the 9% unemployment rate reported for all of New York State. In particular, private sector employment and manufacturing employment have been slow to recover with both categories showing small, but continued decreases in jobs over January 2010. Binghamton was the only region in the state to lose private sector jobs over the year, dipping by 400.

Measurements of upstate consumer confidence at year end 2010 and in February 2011 showed the region to be the lowest in upstate New York at 58.4 in December 2010 and at 63.3 in February 2011, remaining 4.4 points below the state average of 67.7 and 14.2 points below the national average of 77.5.

### OFFICE MARKET STATISTICS

MARKET	INVENTORY	OVERALL VACANCY	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE psf/yr
BNG-CBD	1,931,609	16.5%	\$11.56
BNG-NE	96,434	10.0%	NA
BNG-NW	872,845	15.4%	\$14.67
BNG-SE	744,293	7.0%	NA
BNG-SW	759,921	2.6%	\$11.35
<b>Total</b>	<b>4,387,102</b>	<b>12.1%</b>	<b>\$11.79</b>

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As housing sales continued their bumpy ride nationally, Binghamton area sales volumes and prices underperformed improving statewide averages. For the year, local sales volume fell 21.1% versus a statewide drop of 24.3%, with prices dipping 13.8% in Binghamton versus an increase in the statewide median price of 7.3%. February reports showed Binghamton sales continuing to plummet by 21.7% versus a statewide drop in sales of 3.1%, with a 4.1% increase in price locally compared to a 13.4% increase for New York State. Prices eased again by 1.8% in Binghamton from January to February 2011, while the statewide median increased by 8.9%.

With these key drivers of economic activity continuing to slide, it comes as no surprise that the commercial real estate market experienced negative absorption in 2010. Year end vacancy rates in the industrial sector increased to 14.6% from the rate of 13% reported a year earlier and 11.15% recorded at year end 2008. Several of the larger industrial

transactions that occurred in 2010 were either lease renewals or shifts of existing tenants to alternative space in a competitive environment. Only two sizable properties of 63,000 and 90,000 square feet were taken off the market at depressed prices, while other substantial vacancies persisted over the year and a 300,000 square foot property was placed on the market. Leasing rates, based on sluggish activity, did not soften significantly over the year.

### INDUSTRIAL MARKET STATISTICS

MARKET/ SUBMARKET	OVERALL	YTD	DIRECT WEIGHTED AVERAGE			
	VACANCY RATE	LEASING ACTIVITY	HT	MF	OS	W/D
BNG-CBD	19.3%	16,556	NA	NA	NA	\$3.61
BNG-NE	2.4%	NA	NA	\$6.24	NA	NA
BNG-NW	15.1%	85,852	NA	\$3.70	\$12.50	\$3.59
BNG-SE	12.3%	51,310	NA	\$5.55	NA	\$4.50
BNG-SW	7.1%	NA	NA	\$4.50	\$6.50	\$8.21
<b>TOTAL</b>	<b>14.6%</b>	<b>153,718</b>	<b>NA</b>	<b>\$3.81</b>	<b>\$11.68</b>	<b>\$3.88</b>

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INDEPENDENTLY OWNED AND OPERATED

## Binghamton, NY

2010-2011

On the positive side, a newly built 91,000 square foot factory for Impress USA opened in the fall and Sun Maxx, a solar panel manufacturer entered the market, initially taking up a 20,000 square foot vacancy with plans for rapid expansion.

The Binghamton market has not yet been impacted in any measurable way by the burgeoning natural gas drilling activity occurring in neighboring counties across the New York-Pennsylvania border. Leasing and development activity related to Marcellus Shale drilling in the rural Pennsylvania border counties has driven increased activity in those markets and to the west in the Corning-Elmira region. The current moratorium on horizontal drilling in New York State is expected to be under consideration over the coming year. Removal of the ban could have a major impact on the local economy and commercial-industrial activity.

Activity in the office market was also sluggish, although vacancy improved from a high of 16.3% in 2008 and 13% in 2009 to 12.1% at year end in 2010. This significant improvement in market statistics was driven more by redevelopment in the central business district than by an actual increase in the absorption of office space by office tenants. A number of downtown buildings previously classified as office were removed from the inventory because of demolition, closure, and actual or proposed conversion to student housing. At present there are 800 "beds," or individual units of student housing, under development in the downtown district. Combined with smaller numbers of conversions to market rate apartments, this residential development is driving increased sales of buildings in the CBD and will lead to a revitalization of the historic downtown core. Progress has been slowed by abatement of existing environmental issues and at year end by a catastrophic fire at a housing redevelopment site that also damaged and closed a historic 85,000 square foot multi-tenant office building. Relocation of those office tenants, presently expected to be temporary, will skew office occupancy statistics in 2011.

With the exception of a 50,000 square foot vacancy at a large office/flex facility west of the city, the suburban office market remained relatively tight over the year. There was little sales activity, based on the persistent lack of inventory for sale. A 12,000 square foot office building sold in the CBD early in the year and at year end a 20,000 square foot older medical office building near downtown was sold for redevelopment, both at prices close to historic averages. Site preparation for a new 85,000 square foot medical office building by the region's largest hospital got underway at year end on the Vestal Parkway. The second major area hospital continued construction of a 54,000 square foot medical services expansion on campus and prepared to relocate 20,000 square feet of off site administrative operations in 2011.

The retail sector experienced increasing tenant and developer interest in 2010, but only one sizeable vacancy was filled with the opening of a 22,000 square foot Five Below store near to the Oakdale Mall. Sizeable vacancies remained at the Mall in Johnson City and at the most highly trafficked plazas in Vestal, with vacancies also persisting at Vestal strip centers. At year end Harbor Freight completed a deal to lease 12,000 square feet in Vestal. New grocery store development was most notable, with a 63,000 square foot Price Chopper under construction off Upper Front Street, and a second 50,000 square foot Price Chopper being redeveloped and relocated at Foundry Plaza in the City of Binghamton. Aldi's signed a deal to develop in Vestal and Save A Lot was in negotiation for sites.

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Investment activity increased over the year. Retail investment sales included an Owego Plaza and the Foundry Plaza in Binghamton, as well as a newly developed Burger King in Vestal. Multi family activity was checked by lack of product but a subsidized housing complex of 257 units closed early in the year. Small investor activity picked up with smaller multi-families and student housing rentals trading more actively. Mixed use projects in the CBD, with first floor commercial space and residential units on the upper floors, attracted a great deal of interest and several properties were sold or placed under contract.

Binghamton University continued the expansion of its research and technology facilities, at the Innovative Technologies Complex, adjacent to the main campus in Vestal, including the addition of a 125,000 square foot, \$66 million dollar Engineering and Science Building due to open in the fall of 2011 and the construction of a \$30 million dollar, 114,000 square foot expansion of the New York Center for Excellence in Small Scale Systems Integration and Packaging. These facilities will have a substantial impact on the local economy, as exemplified by a \$4 million dollar federal grant awarded to establish the Center for Autonomous Solar Power at the ITC.

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