

2007 has been a transitional year for Binghamton, New York and this is reflected in the commercial/industrial real estate market. While there has been a real increase in vacancy, the overall increase in computed vacancy rates is mitigated by several factors. First, leases are in negotiation for several significant industrial properties. Secondly, office square footage has been added, and is not yet occupied. Thirdly, identification of underutilized properties has resulted in increases in inventory figures and vacancy rates. Additionally, some 150,000 square feet of industrial and retail space remains unoccupied since the 2006 floods. Demand was increasing at the close of 2007 across all market segments.

Momentum has swung in favor of the CBD with several office leases in the 15,000 to 25,000 square foot range completed for newly renovated space. Binghamton University's newly opened 74,000 square foot downtown center reinforced the trend.

The departure of some smaller tenants and the addition of space under renovation temporarily increased vacancy rates. Also, the largest office property in the CBD, long plagued by problems, soared to over 60% vacancy, after losing an anchor to a downtown competitor.

In the suburbs, occupancy of class A space continues to be high, but movement away from the TCE-plagued village of Endicott increased vacancy in the Northwest, a submarket burdened by persistent vacancy in former corporate office space. New tenants have lowered vacancy in recycled corporate space in the Southeast.

The increase in industrial vacancy rates continues to be driven by corporate consolidations and closure of local operations. However, the scarcity of relatively new and functional industrial buildings, coupled with increasing demand has resulted in an upswing in leasing activity and the commencement of new construction. Leases totaling some 150,000 square feet are in negotiation. Construction is underway for two distribution facilities-62,000 for FedEx and 82,000 square feet for Maines Paper & Foods.

The existence of long-abandoned buildings and a scarcity of shovel ready industrial land are key factors inhibiting industrial growth. Restore New York grant funds are requested to demolish functionally obsolete buildings, with almost 350,000 square feet slated

for elimination in 2008. Anticipated leases and reduction of obsolete space will lower industrial vacancy by two percentage points. Additional state assistance was announced to develop a now vacant 33 acre industrial site in the City, that will be anchored by Emerson Electric subsidiary Control Concepts. The issue of land availability for additional industrial construction remains critical.

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In the retail sector, the Vestal Parkway corridor in the Southwest continues to experience moderate growth, with developers jockeying for position to purchase properties for retail and hospitality. Johnson City in the Northwest submarket has experienced retail growth with 62,000 square feet being added near the Oakdale Mall for Xmas Shoppes, Petco and Party City. A

132,000 square foot Super Wal-Mart, the market's second store, has been approved.

Retail vacancy in the City remains high, partly due to long-term inactivity in space owned by unmotivated outside investors. The City has aligned itself with local investors and downtown business leaders and revitalization efforts are becoming evident in renovated buildings and new tenants.

The only other pocket of persistent vacancy in the Northeast can again be attributed to an unmotivated plaza owner.

The volume of investment activity continues to grow across all types of property, hinging on the availability of product. Several larger apartment complexes and one portfolio of 601 apartments traded hands during the year for cap rates in the mid-eights. Smaller investors focused on multi-families of all sizes, especially for student housing. Several properties were purchased for redevelopment downtown, with student housing being the common denominator. A 65,000 square foot retail plaza sold for a cap rate in the mid-sevens.



**Pyramid Brokerage
Company**

COMMERCIAL REAL ESTATE SOLUTIONS

Classification	Low Rental Rates	High Rental Rates	Effective Average Rental Rates	Vacancy Rate
Downtown Office —Full Service Rates				
New Construction (AAA)	N/A	N/A	N/A	N/A
Class A (Prime)	\$ 13.00	\$ 19.00	\$ 15.00	10%
Class B (Secondary)	\$ 8.00	\$ 12.00	\$ 10.00	30%
Suburban Office —Full Service Rates				
New Construction (AAA)	\$ 20.00	\$ 26.00	\$ 22.00	N/A
Class A (Prime)	\$ 17.00	\$ 24.00	\$ 19.00	10%
Class B (Secondary)	\$ 10.00	\$ 14.00	\$ 12.00	30%
Industrial Space —Net (Triple Net) Rates				
Bulk Warehouse	\$ 2.00	\$ 5.00	\$ 3.50	6%
Manufacturing	\$ 2.25	\$ 4.75	\$ 3.75	15%
High Tech/R&D	\$ 6.00	\$ 11.00	\$ 8.00	
Retail Space —Full Service Rates				
Downtown (High Street Shops)	\$ 6.00	\$ 13.00	\$ 11.00	15%
Neighborhood Service Centers (Retail Units in Parks)	\$ 10.00	\$ 30.00	\$ 20.00	10%
Community Power Centers (Big Box)	\$ 14.00	\$ 20.00	\$ 16.00	2%
Regional Malls	\$ 20.00	\$ 30.00	\$ 26.00	N/A
Development Land				
Classification	Low (per acre)		High (per acre)	
Office in CBD (<i>Per Buildable</i>)	N/A		N/A	
Land In Office Parks	\$ 100,000		\$ 200,000	
Land In Industrial Parks	\$ 25,000		\$ 75,000	
Office/Industrial Land—Non Park	\$ 40,000		\$ 350,000	
Retail/Commercial Land	\$ 100,000		\$ 1,000,000	
Residential	N/A		N/A	

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