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Greater Springfield's marketplace continues to perform better than many other areas



Douglas Macmillan

Greater Springfield's commercial and industrial real estate markets continue to experience challenging market conditions associated with the continued economic turmoil affecting the U.S. and world economy. The region continues to be negatively impacted by recessionary conditions affecting all market segments.

Greater Springfield's office market place continues to experience limited absorption and increased availabilities as office users consolidate to other locations or downsize in their present locations, increasing overall availability.

Springfield's Central Business District has experienced challenging conditions for landlords as limited prospects continue to have the upper hand in negotiating terms and conditions for lease renewals or relocations.

One bright spot for Springfield was Mass Development's recent acquisition of the former federal office building on Main St. Mass Development will be renovating the property for the relocation of the Springfield School Department. Additionally BayState Medical will be occupying a significant amount of space in the building. This should help Springfield Central Business District as it will add numerous new people to the downtown area and provide some closure on the previously unknown nature of the building's fate.

The region's suburban office market continues to fare better than its urban office counter part, however new availabilities continue to add to this segment's vacancy rate at a measurable rate.

Greater Springfield's retail marketplace has experienced a limited number of new vacancies mostly attributable to the failure of larger retail users such as Circuit City and consolidation of other retailers. The overall retail market continues to maintain a relatively stable vacancy rate with availabilities in check with market conditions. With national retail sales continuing to be under performing it remains to be seen how long Greater Springfield's retail marketplace will continue to maintain present vacancy levels.

Greater Springfield's industrial market continues to experience less than favorable overall market conditions of oversupply and a continuation of additional market availability.

This has increased overall vacancy rates significantly to over 10% within the last year and created a market surplus of quality 100,000 s/f industrial and warehouse/distribution buildings. The marketplace has an increased depth of availability ranging from 50,000 to 500,000 s/f offerings with numerous free standing 100,000 s/f availabilities.

Market absorption continues to be minimal and negative in light of the continuous additional market availabilities. This trend continues to have a negative and destabilizing impact on market asking prices and marketing times.

Asking rental rates have begun a downward migration with the majority of asking rental rates for existing warehouse, distribution space ranging between \$2.50 and \$4 per s/f NNN. Asking rental rates for existing manufacturing space range from approximately \$3.50 to \$5 per s/f NNN.

New construction continues to be less prevalent and continues to be user specific generally for specific requirements not readily available in the marketplace or additions to existing facilities. Speculative construction is limited if not non-existent as construction costs far out weigh the asking prices of available existing inventory alternatives.

Industrial land sales and development remains limited and most actively continues to be attributable to projects previously in the pipe line or planned prior to the recent economic downturn.

Greater Springfield's marketplace for all market segments though challenged continues to perform better than many other areas of the country.

As recessionary economic conditions continue it is foreseeable that these present market conditions will continue for the foreseeable immediate future.

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