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Springfield continues to receive inquiries from companies looking for space

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We are definitely in a recessionary climate with negative absorption in the office, retail and industrial sectors and vacancy rates have continually increased in the Western Massachusetts region. Overall, demand for commercial space has slowed in the past year as national companies have scaled back, or stopped expanding all together, due to a drop in consumer spending. The recent Massachusetts sales tax has increased from 5% to 6.25%, which also threatens consumer spending. Few retailers are expanding in the area with the exception of Lowes, which is constructing a new retail facility in Hadley and is looking to develop a new retail facility in Holyoke in the next two years.

The Western Massachusetts industrial market remains flat, and as a result there continues to be an oversupply of industrial space as manufacturers continue to restructure and downsize. The industrial market vacancy in the area has increased from approximately 9% to 12% and has resulted in the average lease rates decreasing from approximately \$4 per s/f to \$3.75 per s/f.

The Springfield area continues to receive a number of inquiries for warehousing and distribution companies searching for modern, high bay facilities with 24' to 26' height, which are limited and seem to result in new construction. Qteros "Microsoft of Energy" will construct a 16,000 s/f building in Chicopee this year bringing new jobs and technology to the area. Also, the Massachusetts Institute of Technology announced plans for the development of a high-performance computing center and research program in Holyoke. The recent sale of 70 acres of land in the Campanelli Business Park in Westfield was bought by Home Depot which will construct a 657,000 s/f facility. Another recent sale is 14.3 acres of land in the Smith & Wesson Industrial Park in Springfield to WF Webb Company which will construct a 65,000 s/f facility. The most significant industrial lease signed this year was a high bay, 137,000 s/f warehouse facility in South Deerfield that was leased to Yankee Candle Company.

The weak economy has resulted in declining demand for office space in both the suburban and downtown market. Landlords are trying to combat rising vacancies by lowering rental rates and increasing concessions to retain existing tenants and attract new tenants. Mass Mutual Financial Group, the largest Fortune 500 company headquartered in Springfield, laid off 500 local employees due to a drop in financial markets. However, Mass Development, also known as the Massachusetts Development Finance Agency, recently completed the purchase of the former Federal Building located at 1550 Main St. in downtown Springfield. The building will become the home of the Springfield School Department and offices for Baystate Health, the second largest hospital system in the commonwealth. In addition, a new 22,000 s/f office building was recently constructed in the downtown area of Springfield for a major tenant, Berkshire Bank. In suburban areas, two new office buildings have been constructed this year totaling approximately 60,000 s/f for primarily medical office use.

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