



neref

A lot of positive talk about Western Mass. and the possibility of "advanced manufacturing" coming

January 27, 2010 - Spotlights

I always get nervous when Patty calls to see if I'll do the review for Western Mass. While I'm deeply appreciative of the opportunity to promote my company (after all that's why we do it), I want to give a good assessment of what the market trends are, but want something of interest to my peers and others. So I spend allot of time reviewing statistics and trends (I go to the "Student Prince" for a beer and conversation with my appraiser friends) and then reveal my findings (I make it up).

2009 was a particularly bad market for real estate in general for Western Mass. There were few new companies entering the market and there was continued flight to the orient. Lenders unwillingness to lend exacerbated a bad economic environment, and stagnation ruled the day. Springfield raised its commercial tax rate in 2009 which confounds most of us trying to promote the region and obtaining financing for expansion and equipment, while always harder to achieve than mortgaging, has been particularly difficult.

We're hearing a lot of positive talk about this region with respect to the possibility of "advanced manufacturing" and it does seem as though this is, finally, a real possibility. Advanced manufacturing tend to be a high tech "clean" type of operation such as medical device manufacturing that companies are reluctant to send offshore. These jobs are well paying and require a higher level of skill not necessary in older manufacturing. The fact that there has been very little new construction over the past few years means space will be absorbed quickly once a recovery begins.

Other positive signs in the region are: The \$70 million computer center planned for Holyoke is getting closer to reality. We believe there will be spin off from this creating even more jobs region wide. The data storage center for Springfield will spur the renovation of the long vacant Springfield Technology High School. Also, the University of Massachusetts is working on ways to keep new technology developed at the school and the startup companies created to implement that technology from leaving the area. We've long witnessed with silent dejection the "brain drain" in the region as graduates from our colleges and universities leave the area for higher paying jobs. However, it's particularly disturbing when we loose these incubator type businesses that have been created and nurtured here. So we applaud UMass for focusing on this.

The reality right now however is that, while industrial space vacancy remains in the low to mid teens, activity in Western Mass. was off by 50%-60% over 2008 and lease rate were down 20%-30%. We saw a few sales of older facilities that were 50% lower than their previously appraised values.

This has felt a lot like 1989-90 except unemployment was 5.8% (Boston Globe July 1990) not 10%, and it seems every business has been affected by this economy. It may be mid 2011 until activity normalizes however we remain hopeful and optimistic for 2010 mostly because there's nothing else to do.

William Low is vice president at NAI Samuel D. Plotkin and Associates, Inc., Springfield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540