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## **Greater Springfield's industrial market beginning to show signs of improvement**

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The Greater Springfield industrial market is beginning to see signs of improvement. As the national economy saw slight growth in the 3rd and 4th quarters of 2009, the local real estate market also showed an increase in activity.

However, this positive activity does not overshadow the increased vacancy in the industrial market. The overall industrial vacancy rate in the Springfield market increased from 12.5% at year end in 2008 to 13.7% in the 4th quarter of 2009. This was due to continued downsizing from distributors as well as the manufacturing sector resulting in more vacant space. To add to the problem, additional streamlining and cost cutbacks helped diminish demand which in turn slowed the local transaction volume.

Marketing timelines are extending as a result of the diminished demand. A marketing period that traditionally was 6-12 months is now 9-24 months. Lease rates and terms are more aggressive than in previous years. Asking rental rates are basically the same as they were, \$3.75-\$4.50 per s/f NNN for high bay space and \$3-\$4.75 per s/f NNN for lower bay space. The effective lease rates have seen some compression. Typically the landlords attempt to keep the face rate consistent, but will help reduce the effective rent by adding more free rent. Presently, free rent is approximately 3-6 months where before it may have been only a month or two. Only two notable lease transactions were completed in 2009: a 137,000 s/f lease in South Deerfield and a 222,000 s/f lease in Enfield.

As manufacturing continues to diminish in the Northeast, warehousing and distribution seems to be the only possibility to shore up the industrial market. Distribution has been slow for the past few years, but there were some additions to the industrial base. In Westfield, a 3PL completed construction of a 237,000 s/f building for their own use and 2009 also saw the commitment for two build-to-suits. One is a 65,000 s/f building proposed at Smith & Wesson and a 657,000 s/f distribution center under construction in Westfield.

Developable land is still at a premium in the Springfield market. As the Smith & Wesson Park completes development and other large tracts are absorbed, well-located marketable industrial land continues to be in demand. Westmass knowing the extent of the available land inventory is always looking for decent industrial tracts. Adjacent to their flagship Airpark West, they have recently completed the acquisition of a 57-acre parcel at Airpark South. This will help replenish their dwindling land inventory.

Greater Springfield

Industrial Market Forecast

While the Greater Springfield industrial market has traditionally been stable, the vacancy continued to increase this year. This increased vacancy will ultimately have a positive result by affording more alternatives to buyers and tenants looking to invest in the region. As 2010 progresses, we expect to

see more absorption and gradual improvement into 2011.

John Reed is first vice president at CB Richard Ellis/New England, Hartford, Conn.

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