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## **At midyear Greater Springfield's industrial market place is experiencing renewed interest**

July 29, 2010 - Spotlights

At midyear Greater Springfield's Industrial Market Place continues to experience the recessionary conditions typified throughout the country and economy. These less than favorable economic conditions have increased market availability throughout the region and continue to adversely affect the local industrial market place.

By most estimates Greater Springfield's overall industrial market place of approximately 40 million s/f is currently experiencing an overall vacancy rate of approximately 15%.

This vacancy rate is at a historic level for the region which has seen numerous additions to its inventory over the past year and a half almost doubling its long standing vacancy rate of approximately eight per cent.

Present market availabilities range from 400,000 s/f offerings to smaller space with an ample supply of free standing 100,000 s/f availabilities. Many property offerings are of quality modern industrial park facilities offering modern construction and good to excellent amenity and overall utility.

Market absorption remains negative with additional new inventory rapidly out pacing the present industrial market's lease and sales activity.

This continued negative market activity has continued to exert downward pressure on sale prices, lease rates and terms in an attempt to attract the limited amount of market prospects.

Asking rental rates continue a downward migration with the majority of asking rental rates for existing warehouse, distribution space ranging between \$2.50-\$4 per s/f NNN. Asking rental rates for existing manufacturing space range from approximately \$3.50-\$5 per s/f NNN. The market has seen the reemergence of aggressive landlord concession packages in the form of free rent and other tenant incentives. At present rents are flat with landlords engaging in aggressive pencil sharpening and offering competitive lease proposals for market prospects.

Asking sales prices have begun a downward migration as property owners assess market availability and price properties accordingly. Asking sales prices vary by product, but continue to be priced in the \$25-\$35 per s/f range with some recent market sales in the \$20 per s/f range or less.

New construction continues to be very limited and focused on previously planned projects and requirements whose needs are not compatible with existing market inventory, due to specialized locational or physical requirements. With continued declining rental rates and sales prices coupled with increased availability, it is anticipated that new construction of product types readily available in the market place will continue to be limited as the quality of the existing inventory and its subsequent pricings economics will not justify the cost or need for new construction.

The region' s small to midsize market place continues to experience limited availability and continued interest and demand. Availability of 20,000 to 50,000 s/f for lease or sale offerings continues to be limited with for sale offerings being extremely limited. Historically properties in this

size category have been readily assimilated into the market place as the region's local industries and space users business models appear to be well suited to this size category.

The region's diverse industrial base and readily available quality industrial stock coupled with the regions locational characteristics offer industrial and distribution users a well located cost effective solution for their space requirements.

The area and region anxiously awaits the signs of sustainable economic activity to reinvigorate the market place after more than two years of market decline.

The region continues to see infrastructure and other stimulus funded improvements to the area's transportation systems, work force education and improvement of public and municipal projects and properties.

This investment should improve many facets of the regions public infrastructure necessary to attract and retain industrial space users.

It would appear that market interest and prospects have increased in the first half of 2010 with most of the region's brokers having experienced a greater level of showings, inquires and activity.

We are hopeful this renewed interest in the marketplace will continue and is a sign of sustainable recovery in the marketplace and economy.

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