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Doug Macmillan is optimistic as the Greater Springfield industrial marketplace exhibits increase in activity in Q2 2011

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Greater Springfield's industrial marketplace exhibits a tepid, but measurable increase in market activity in Q2 of 2011.

With continued signs of improvement in the regional and national economy Greater Springfield has begun to experience a decline in the number of additions to the inventory and a possible leveling of market decline.

This being said recent market sales are evident of a steep decline in market value for the region's overall industrial market place.

The region has seen 2007 market highs of $30 to $40 per s/f erode to recent sales prices of $18 to $25 per s/f for mid to larger sized industrial properties offering good amenity, modern construction and industrial park locations.

While this decline is troubling the fact that a dormant marketplace has begun to register sales and absorption of market inventory is a positive sign of a potential market recovery and transition from the malaise of the past few years.

Though recent sales activity is warmly welcomed and a positive sign for the marketplace, recent market activity continues to have limited impact on the market's overall vacancy rate of approximately 15% for the past several years.

Market participants are hopeful recent activity and increased interest will continue and translate into a market recovery as 2011 experiences improving economic conditions with renewed demand and absorption of space.

Market pricing continues to exhibit signs of destabilization and realization of recent negative market activity with market offerings having downward adjustments in pricing and increasing offers of tenant concessions.

Availability in the marketplace remains ample with a continued notable concentration of 100,000 +/- s/f quality modern industrial park located offerings.

The marketplace continues to experience limited availability in the smaller to mid-sized market with limited inventory in the 5,000 to 50,000 +/- s/f product category and relative interest in this market segment.

Asking rental rates have continued a downward migration as the majority of asking rental rates for existing warehouse, distribution space continue to range between $2.50 and $4 per s/f NNN. Asking rental rates for exiting manufacturing space range from approximately $3.50 to $5 per s/f NNN. These asking rental rates vary by location, property and amenity. The majority of recent lease transactions have also seen a notable increase in non rent landlord concessions, such as free rent, turnkey delivery of space and other tenant specific requests indicative of landlord's recognition of less than favorable market conditions.

New construction continues to be relatively limited and concentrated on previously planned projects and requirements whose needs are not readily compatible with the existing market inventory due to specialized locational or physical requirements or size requirements. New construction pricing continues to be driven by increased construction and commodity pricing with rents in the $6.50 to $8 per s/f range.

Demand for modern, well located light industrial or flex space in the 2,500 to 5,000 s/f range offering good overall utility appears to be increasing in the marketplace as evident by relative consistent higher occupancy rates in existing facilities and the timely lease up in less than favorable market conditions of the Westover Business Center.

We are hopeful, but cautiously optimistic, that the local, regional, national, and international economies will continue to improve and create improved employment and a sustained economic recovery which will translate into positive absorption in the marketplace and improved market conditions for the region.

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