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Connecticut/Western Massachusetts Chapter of SIOR regional commercial real estate market conditions survey

September 15, 2011 - Connecticut

The Connecticut/Western Massachusetts Chapter of SIOR's results of their semi-annual survey of the region's commercial real estate market conditions is as follows. The survey covered the period from January through June 2011 and member responses were generally positive with over 66% indicating market conditions within Connecticut and western Massachusetts have either stabilized or improved in the first half of 2011 from the last half of 2010. The remaining 34% of members indicated market conditions had declined. Predictions for the remaining 6 months of 2011 are mixed with 38% anticipating improvement, 41% anticipating no change and 22% anticipating further declines in market conditions.

Expectations regarding the future direction of lease rates for industrial (76%) and office space (68%) are similar with the majority indicating rates will remain unchanged. A significant minority believe lease rates may decrease further for office (32%) and industrial (24%). Expectations regarding the direction of sales prices differ by product type but contain little to no forecasts of increases in sales prices. Sale prices for industrial buildings are either anticipated to remain the same (61%) or decline (31%). Sale prices for office buildings are either anticipated to remain the same (48%) or decline (40%). Results for capitalization rates for investment properties were similar with rates anticipated to hold steady (48%) or increase (40%).

Expectations regarding vacancy rates were also mixed. Respondents were divided on the direction for office vacancy rates with a number holding a positive outlook with rates decreasing (10%) or holding steady (44%) and the remainder anticipating increases in office vacancies (44%). The outlook for industrial vacancy rates was more positive with members indicating vacancy rates decreasing (24%) or holding steady (56%) and the remainder anticipating increases in vacancy (20%).

Members do not anticipate new development in 2011. However, their expectations regarding corporate growth in 2011 are either positive with expansions (22%) or stabilized (56%) with a limited number (22%) anticipating further contraction.

Some respondents noted increases in market activity while others indicated activity was weak and were decidedly more pessimistic. There are pockets of market activity but the pace of recovery continues to be slow and transactional activity is still below historical norms. There are a number of negative factors overhanging the market including weak business and consumer confidence, difficulty in obtaining financing, and budget difficulties of the Federal, State and municipal governments. Comments by SIOR members noted the strength of corporate profits which is favorable long term. However, demand for space is created by job growth and growth in the economy and until those numbers improve, the pace of the recovery will continue to be slow and uneven.

The survey was conducted among chapter members in Connecticut and western Massachusetts to measure market conditions within the region. This report was prepared by Keith Kumnick, past president of the Connecticut Chapter, interpreting data and feedback obtained from its members.

SIOR is the leading professional commercial and industrial real estate association. With more than 3,000 members in 580 cities in 26 countries, SIOR represents today's most knowledgeable, experienced, and successful commercial real estate brokerage specialists.

Please visit our website www.siorct.com to find additional information on the Connecticut/Western Massachusetts Chapter, Chapter members, and upcoming events. Should you have questions or interest in the requirements and benefits of becoming an SIOR and joining the Connecticut/Western Massachusetts Chapter, please contact Sherri Thompson, SIOR at 860.528.0884 or John Reed, SIOR at 860.987.4788.

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