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55 YEARS

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## **Forecast: Partly sunny with a chance of solar energy; high in the upper 60's**

January 26, 2012 - Spotlights

Maybe, it's a little early to predict what our commercial real estate outlook will be this upcoming spring. However, if we can use our current conditions to forecast the future, it appears that it has been a mild Winter here in New England and that Developers are gearing up to reap the benefits of a fruitful future.

What's hot right now? Renewable energy; specifically solar.

In Mass., it has been determined that commercial property owners and users alike, can achieve a 3-5 year payback on solar installations that generate income for 25+ years by capturing time-sensitive and lucrative incentives. Massachusetts is viewed among the best locations for commercial solar in North America. While Mass. has about half the number of sunny days as Arizona, electricity rates average over 50% higher. Further, the Bay State has aggressive financial incentives that significantly increase returns. Additionally, third-party financing via Power Purchase Agreements (PPAs) can eliminate upfront costs.

Why commercial solar in Massachusetts? First, you can offset high energy costs and hedge against rate increases. Second, owners can Increase cash flow by selling solar renewable energy credits (SRECs). Third, and often the most talked about, capture time-sensitive incentives, while demonstrating environmental leadership.

Massachusetts has a goal of 15% renewable energy by 2020, increasing every year by 1%. Additionally, the State has a targeted goal of installing 400 megawatts of solar. Consequently, Mass. has among the most lucrative incentives programs for commercial solar in the nation, with a stable market for tradable solar renewable energy credits (SRECs) ranging \$400-550/megawatt-hour of energy produced.

Take action. Don't miss the window of opportunity to capitalize on time-sensitive solar incentives. State incentives are available on a first-come basis. For a limited time, Mass. solar installations also qualify for a 30% federal tax credit, as well as accelerated depreciation.

Learn how to use your commercial rooftop or land to generate energy and increase cash flow by contacting me.

Commercial real estate trends this on the sales side have been slow to gain momentum. Multifamily sales prices are running around \$67,000/unit, which is a slight decrease and still an optimal investment option, because the rental market remains so strong. Office sales prices have decreased nearly 10% in the last quarter, now residing at \$115 per s/f. Industrial property sales prices continue to decline, as they have over the last five years. This month, asking prices for Industrial properties are at there lowest in three years. Concurrently, the median sales price for industrial properties has also fallen nearly 9% in the last two quarters, currently hovering around \$60 per s/f. It is a great time to buy industrial property, especially if you are an owner/user.

Retail property sales have shown a direct correlation to asking prices, as the market conditions continue to bridge the gap. The median sales price for retail properties has been on the rise increasing nearly 19% in the last year and matching Owners asking prices at around \$150 per s/f. Availability of funds still remains a bone of contention in the commercial real estate world, where all sectors seem to be on the decline in regards to the total dollar volume of funds available. Office and industrial listings for sale have been on the rise, as a much needed and depleted inventory has suppressed the market. Conversely, the number of retail property listings available for sale has found itself in an eight month drop, reaching a three year low.

So, where do we go from here? At Baldwin Realty Group, we are starting to find traction in the marketplace. Specializing in commercial, industrial, and retail sales and leasing in southeastern Massachusetts for two generations; Baldwin Realty is here to advise our clients, both investors and tenants alike, in achieving their goals and requirements.

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