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## **Western Massachusetts commercial real estate market remains dormant**

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There is no energy in the commercial industrial real estate market, in spite of improving business conditions. In Hampden, Hampshire, and Franklin counties, deal making is becoming a lost art. Westmass Area Development Corp., the area's largest player in the business park segment of the market has seen very limited activity. Westmass has industrial park land in six municipalities. Solar leases have made up the bulk of the market interest, but solar developers are generally interested only in properties that have limited development potential, such as former landfills. Westmass has leased 13 acres of land that were segmented from the main body of its Agawam Regional Industrial Park by the construction of a limited access highway, to a solar developer and the town of Ludlow has also entered into an agreement on its former municipal landfill.

Western Massachusetts has been designated as one of the areas in the state for casino development. Following the passage of the Casino Bill by the legislature, a flurry of activity resulted in the identification of several potential sites for casino projects and one major land sale in Springfield. The reality of the casino siting process has now set in and municipalities, property owners, and gaming firms are gearing up for a protracted battle spanning many years.

Casinos and solar farms do not make an economy, however. In past years, the coming of spring also meant a dramatic increase in the number of business' looking to build and expand. That activity remains elusive. Perhaps the only bright note has been some of the announcements connected with the Ludlow Mills project being developed by Westmass. Health South has submitted plans to the town of Ludlow for its new 72,000 s/f rehabilitation hospital and Winn Development is moving forward with its historic renovation of the 102,000 s/f Mill 10 for 83 units of elderly housing at Ludlow Mills.

In many ways, Ludlow Mills mixed use redevelopment is a microcosm of the Western Mass. economy. Ludlow offers development opportunities for new construction as well as over one million s/f of space for lease for office, light manufacturing, service firms, as well as warehousing and distribution. Ludlow's 35 tenants have weathered the difficult business climate of the past four years and several have expanded or expressed interest in expanding on site. Several are taking advantage of depressed real estate prices to purchase rather than lease, but these transactions are taking longer than usual because of greatly expanded due diligence requirements of lenders. The actual decision to expand is painstaking and prolonged, in many cases involving more than six months of fits and starts.

The results for the Western Mass. economy has been slow job growth. The city of Springfield marked an 11.7% unemployment rate in the most recent survey. This was certainly an improvement over the 13.5% rate from 2011, but it was high enough to skew the region's rate to 8.3%, just .3% lower than the national rate. The region has some built-in immunity from the business cycle because

its largest employers are the University of Massachusetts and Baystate Health Services. Similar to national trends, Western Mass. has seen the size of its labor force decline steadily for four years. There is a 6 year inventory of industrial buildings larger than 50,000 s/f at historic absorption rates. This means that there are bargains to be had for buyers in this category. The segment 20,000 s/f to 50,000 s/f industrial buildings has a small overhang, and buildings smaller than 20,000 s/f have an average time on the market of about six months.

You can't last long in this business if you are not an optimist, so just disregard the previous paragraphs.

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