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The rising economic tide in the Bay State lifts diverse industrial market

May 22, 2012 - Spotlights

Add to the list of great attributes of the Bay State the following: Massachusetts now boasts an economic growth rate that is double the national average. Massachusetts logged a 4.5% annual growth rate for the first quarter of 2012, compared to a meager 2.2% growth rate for the national economy. Credit the diverse array of industries in Massachusetts that include technology, life sciences, healthcare, education and defense to name just a few. Specifically, many of the state's larger technology companies like EMC Corp., Parametric Technology Corp., and IPG Photonics Corp. have seen their market capitalizations increase considerably as of late.

In the first quarter of 2012, commercial industrial real estate practitioners observed a healthy industrial market, with the overall vacancy rate holding steady at 10.9%. After a very robust fourth quarter of 2011, the market did experience a dip in leasing activity with modest negative absorption (304,271 s/f). Still, the first quarter of 2012 registered a number of very substantial industrial leases, including 103,860 s/f to Stop & Shop in Braintree and 60,000 s/f to TerraTherm, Inc. in Gardner. Another sign of optimism is that the average quoted rental rates inched up in the first quarter of 2012 to \$6.15 per s/f. The air of optimism is measurable as well: according to a recent poll by Northeast Real Estate Business of Real Estate Professionals throughout the northeast, more than 67% of those surveyed forecasted increased transaction volume for 2012 over 2011.

Augmenting the real estate market is a recent increase in commercial lending in and around Boston, making way for refinancing of existing commercial mortgages and propelling new investments. Finally, modern high bay industrial space with ESFR sprinkler systems and good highway access remain a rare commodity in suburban Boston.

While many potential challenges loom on the horizon for our national and global economy, the diversity and stability of many of our state's industries appear to be insulating our local economy, and the industrial real estate market along with it.

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