nerej
CELEBRATING 55 YEARS

Design-build suburban commercial industrial market review and forecast for 2012

July 26, 2012 - Spotlights

The commercial industrial suburban real estate market has been more active in the first half of 2012 than any time since the 2008 financial crisis. Locally based development firms as well as locally owned manufacturing firms have taken advantage of aggressive seller pricing and invested in vacant large industrial properties at significantly reduced prices. Properties include distribution, warehouse, manufacturing, and industrial facilities.

Recently closed deals include the former Evergreen Solar building in Devens consisting of over 450,000 s/f bought by Hackman Capital and Calare Properties, who immediately leased 200,000 s/f to Saint-Gobain Crystals. Romanow Container purchased the former Digital Equipment engineering headquarters in Littleton and renovated the 108,000 s/f property for a corrugated manufacturing plant. Harbar Foods bought the 82,000 s/f building at 10 Pequot Way in Canton for their tortilla manufacturing operation. Plantation Products leased 350,000 s/f at 35 United Dr. formerly occupied by Boston Apparel.

The Gutierrez Company landed Green Mountain Coffee's KeurigÂ® Division for a 400,000 s/f build-to-suit in Burlington. Cape Cod Lumber is presently under construction with a new facility in Abington. Sig Sauer bought the 200,000 s/f former Celestica building in Pease Industrial Tradeport for their arms manufacturing plant. Paragon Communications of Ashland will soon move to a 302,000 s/f property at 41 Main St. in Bolton, Mass. Impressive activity coming out of a four year recession.

Other positive signals for continued momentum in the commercial industrial market sector include a 4.6% increase in construction hiring in Mass. as cited by the Economic Journal Mass. Benchmarks. Construction headhunting firms are complaining there are not enough qualified and experienced construction professionals available to fill documented vacant positions. As of this writing, Dacon's estimators and project planners are backlogged with projects allowing some selectivity of projects to pursue, which has not been the case since 2008. Permitting at the local level has seen relaxed project review and fewer barriers introduced by municipalities as they fight to increase tax revenues. As vacancies are reduced, corporate options dwindle and new construction will gain momentum.

Unfortunately for design builders, only two of the deals mentioned are ground-up build-to-suit projects. Renovation projects at $10 to $40 per s/f continue to handcuff revenues for design builders as compared to build-to-suit costs of $45 to $140 per s/f for ground-up build-to-suits, depending upon the type of project. 2011 reflected anywhere from a 20% to 30% increase in construction revenue; the bad news is that volume is still 60% off 2007 highs. Deal cycles are painfully slow as estimators may be very busy while the field waits for actual construction to commence.

The forecast for Q3 and Q4 2012 is favorable for design builders and the commercial industrial market in general. Civil engineers, OPM firms, and most estimating departments are putting quotes and proposals out to the market at a significantly faster pace than in the last four years. The key to increased revenues will be contingent upon whether the market can get to new ground-up construction before the end of 2012.

Chuck Reilly is vice president of Dacon Corp., Natick, Mass.