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## **SIOR Connecticut/Western Massachusetts market survey**

August 16, 2012 - Connecticut

The Connecticut/ Western Massachusetts chapter of SIOR announced the results of its semi-annual survey of its membership. The survey measured market conditions for the period January through June 2012 within the region.

Member responses were positive with 52% indicating market conditions within Connecticut and western Massachusetts have stabilized over the latter half of 2011 and 36% indicating improvement. Predictions for market conditions for the remainder of 2012 are less optimistic than previous surveys with a majority indicating no change (60%), a significant minority indicating conditions will improve (36%) and a small group anticipating further declines (4%). Predictions for lease rates are similar with a majority anticipating no change in market conditions. Industrial lease rates will remain unchanged (80%) with a minority indicating a decline (15%) or an increase (5%). Office lease rates will remain unchanged (70%) while a greater number (25%) expect declines and a limited number (5%) expect rates to increase.

Expectations regarding the direction of market vacancy rates differ between industrial and office. Industrial vacancy rates are expected to decrease (53%) which suggests increasing market activity. The remainder anticipates industrial vacancy rates will remain unchanged (37%) or increase (10%). Respondents are more negative regarding office as they expect office vacancy rates to increase (43%) or for vacancy rates to remain unchanged (48%) or decrease (9%).

By a significant margin, members believe sales prices for industrial and office product as well as cap rates will be stable for the remainder of 2012. Survey responses for industrial properties indicate stable pricing (78%) with the remainder evenly split between price increases (11%) and prices decreases (11%). Survey responses for office differ slightly as a similar majority (74%) indicates prices have stabilized but the remainder largely believes further declines (22%) will occur. Similar results were also noted for investment cap rates with a majority anticipating that they will remain unchanged (72%) or expect cap rates to increase (22%) which results in declining values for investment properties.

The members (88%) do not anticipate new development in 2012. Their expectations regarding corporate growth in 2012 are less optimistic than earlier in the year with most expecting status quo (62%) but the number expecting further contraction increasing (23%) and the remainder expecting expansion (15%).

Comments by members noted the increase in market activity at the end of 2011 lost momentum fairly quickly in 2012. Continuing uncertainty about the economy and future business conditions has resulted in a lack of confidence by some decision makers. There are a number of issues overhanging the market; Presidential election, European Union debt issues, weakness in the Global economy and scheduled tax increases in 2013.

However, transactional activity has increased with a number of significant office and industrial

leases, sales and new developments closed this year. It is a "mixed market" and there have been a number of positive developments that at times are over shadowed by the negatives.

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