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## **NAI Plotkin: Western Massachusetts industrial and office review 2013**

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The industrial market continued what has been a slow and steady recovery over the past 3 years. It appears the "bottom feeding" is over as s/f prices have come back to an average of \$25 from a low of \$10. Costar reports a vacancy rate of 11.7%, although if you include industrial space that is occupied but on the market, that figure is closer to 16%. These numbers compare to the 4th quarter of 2012 vacancy of 12.1% with total available square footage at 17.3% of the total industrial inventory. Although a big problem for our region remains attracting new businesses, there is a niche of locally owned specialty manufacturers thriving in the aerospace industry. This group continues to expand, gradually absorbing vacancy.

New construction is still scarce due, in part, to the cost of construction and the inability to get rents that support it. Developers can achieve the \$6 - \$7 per s/f rents needed if they build inside 495 but a \$3.50 per s/f in Western Mass doesn't cut it. Most contractors report a weak pipeline heading into 2014.

Activity for office leasing was also much improved in 2013; vacancy is below the 5 year average at 11.2% down from 11.4% in the fourth quarter of 2012 and 12.8 % from the first quarter of 2011. Surprisingly, Downtown Springfield has landed several large office tenants. Bay Path College leased 12,000 s/f at One Financial Plaza and another 10,000 s/f Fortune 500 tenant is in the market negotiating a lease. The University of Massachusetts is close to selecting a property to open a 50,000 s/f campus downtown, something Springfield has been lobbying for an eternity. After RFP responses 4 properties are in the running and a selection is to be announced any day now.

The owners of One Financial Plaza donated 10,000 s/f on the 9th floor for the UMass Commonwealth Colleges Art studio and display the art in the lobby of the building. This has been a great attraction downtown and many events are booked at the building.

Now for the casino: It looks like there is a very good possibility that MGM will get a license to develop a casino in downtown Springfield. The choice will be between this and Mohegan Sun in Palmer. There are obviously different opinions as to what affect this will have on the local real estate market in terms of value, demand, etc. I'm already seeing a potential impact; they have property under contract, options on others, and they will take a fair amount of office space off the market. One recurring theme I hear is "what's the alternative?" I don't know the alternative. What I do know is that many good, well intentioned people have spent a lot of energy on this over the years, trying to revive what was once a vibrant downtown. Springfield is not unique in its struggle, as a post industrial New England city, to reinvent itself. Although it has been done before, we haven't had the kind of leadership and vision to accomplish this in a long time. The constant political posturing and negativity kill any creative solutions. Even if a casino comes to downtown, there will still need to be a lot of "out of the box" thinking to improve Springfield: market rate housing, retail, improved security,

etc. So I say, unless something better shows up, bring on the casino.

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