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CBRE/New England update on the Greater Springfield industrial market for 2014

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The Greater Springfield industrial market is active and trending toward pre 2008 levels. It is expected that this improvement will continue in all industrial sectors.

Vacancy rates continue to decline as the better quality industrial product is absorbed. Older, functionally obsolete properties continue to be impacted. The industrial vacancy rate is approximately 12%.

With quality available inventory diminishing, the focus shifts to potential build to suit transactions. In many cases this is the only solution for companies needing modern high bay distribution facilities or state of the art manufacturing facilities.

Lease rates and sale prices are recovering, but have yet to return to pre-recession values. Rents are in the \$2.50-\$3 per s/f NNN range for "as is" leases. Tenants are committing to longer leases such as 5 and 7 year terms from the 1 to 3 year terms of the past few years. Sales prices are still low. Buildings are selling for low \$20s per s/f and present some value buy opportunities far below replacement cost.

Over the past year there has been increasing activity from larger regional occupiers. This interest is fueled by local and regional 3PLs serving the ever emerging retail market and local manufacturing. The 10,000-50,000 s/f tenants and buyers remain the most dynamic part of the local market.

There has been growth in the number of food processing and food distribution users that have targeted this region due to its proximity to population, highway systems, decent labor pool and available industrial land. The price of well located industrial land has remained at \$75,000-\$100,000 per acre or \$5 to \$7 per buildable foot.

There were a few investment sales in 2013, the most noteworthy being the former Callaway complex in Chicopee. This 50 acre property is a prime regional industrial redevelopment site. User transactions include 66 Ampad Rd. in Westfield, 123 First Ave. and 45 Plainfield St. in Chicopee and 200 Tapley St. in Springfield which sold for a second time since 2011.

Greater Springfield Industrial Market Forecast:

The Greater Springfield industrial market is active and trending toward good market levels. We expect continued improvement in all industrial sectors through 2014.

John Reed, first vice president/partner at CBRE/New England, Hartford, CT

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540