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Greater Springfield industrial market 2015: Vacancy rate is 10.9%, down from 12% in 2013

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The Greater Springfield Industrial market experienced a steady increase in activity in 2014. This has been a continuing trend since the market began to rebound in 2012. Most of this activity was due to intra market growth, though outside interest in the market is increasing. This improvement will continue for the foreseeable future.

Business confidence locally and nationally continues. Across the U.S., demand for class A industrial space is out-pacing supply. This is also happening in the local industrial market. In other metropolitan markets, speculative building and build to suits are increasing, however in greater Springfield, the speculative and build to suit development has not kept up with demand. There is momentum in the industrial market, however this will slow due to a lack of good alternatives as prospects move from an existing building acquisition timeline to that of a build to suit.

The Greater Springfield Industrial market has not experienced the robust activity of larger metropolitan markets which are mainly driven by growing e-commerce. Some of this e-commerce growth is taking place in the region just south of greater Springfield in Connecticut, as evidenced by new facilities developed for Dollar Tree and Amazon.

In a market that is traditionally dominated by users, the Greater Springfield Industrial market saw strong leasing activity last year. Transactions occurred mainly in the 20,000 to 50,000 s/f range, with some larger leases also being inked. Leasing activity included two 50,000 s/f leases at 140 and 152 Apremont Way and 50,000 s/f at 1111 Southampton Rd., all three in Westfield. Cenveo leased 125,000 /f on Griffith Rd. and Menck is leasing 54,000 s/f on Champion Dr., both in Chicopee.

Larger projects in the market range from 3PL driven requirements to a proposed manufacturing development. Exel logistics leased 412,000 s/f in Westfield for one of its primary customers. In Springfield, CNR, a Chinese rail manufacturer, was awarded a $566 million contract to build subway cars for the MTA. This project will consist of a 150,000 s/f facility on 40 acres at 655 Page Blvd. The initial cost of this project will be $60 million and will establish 250 permanent jobs, as well as the construction jobs and peripheral employment.

Other notable transactions in the market include two sales in Chicopee, 2070 Westover Rd. and 47 Veterans Dr. In East Longmeadow, 35 and 45 Industrial Dr. were both sold. Two investor transactions occurred in 2014; 100 Brookdale Dr., Springfield, and the former Hallmark distribution building in Enfield, at 35 Manning Rd. A number of other sales were transacted in the surrounding suburban industrial parks.

As of the 3rd quarter of 2014, the industrial vacancy rate in the Greater Springfield Industrial market was approximately 10.9%, down 110 basis points from 12% in 2013. Vacancy rates continue to decline as the better quality industrial product is absorbed. This is positive for the market, but does not improve the position of many of the older functionally obsolete properties.

Elsewhere in the U.S., declining vacancy rates are putting pressure on rents and sale prices as they continue to inch upward. Locally we expect rates to continue to recover. Rents are currently in the $2.50-$3.25 per s/f NNN range for "as is" leases. As business confidence continues, tenants are more willing to commit to 5 years. Sale prices are below market, though core properties still command market sale prices.

Pricing continues to be well below replacement cost, which exacerbates the disparity between existing inventory and new construction. Average sale prices of quality industrial buildings have been in the low $20s per s/f.

There are inquiries for regional distribution requirements ranging from 100,000-500,000 s/f looking in the market. Distribution companies continue to seek out properties in greater Springfield because of its geographic center in New England and its proximity to the highway systems.

Demand for good developable industrial land has increased. Some new tracts have been identified and are going through permitting. Pricing for sites with all utilities and highway access remain at $75,000-$100,000 per acre or $5.00 to $7.00 per buildable foot.

Greater Springfield Industrial Market Forecast

The Greater Springfield industrial market is active and continuing to improve. We expect continued intra market growth and increasing outside interest in the area. As confidence continues to improve, 2015 will see sustained growth in the Greater Springfield Industrial market that will continue in all industrial sectors for the foreseeable future.

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