



# nerej

## **Location, employment and cost factors help bring stability to Springfield's industrial market**

September 26, 2007 - Spotlights

As Greater Springfield's industrial marketplace enters the third and final quarter of 2007, the industrial marketplace continues its relative stability.

The industrial marketplace for 2007 experienced an increase in overall vacancy from a high 7% rate to approximately 9% for the market's 40 million s/f. This increase was primarily attributable to larger big box class A industrial additions mostly due to corporate restructuring or alignment. The majority of this vacancy factor continues to be represented in the region's older less functional urban industrial properties. Overall all absorption continues to be healthy with typical marketing times of three to 12 months. Most larger market availabilities continue to be lease offerings, some with marketing times exceeding one year.

Regionally, rental rates have remained stable with rental rates for existing warehouse-distribution space ranging between \$3.50 to \$4.75 per s/f NNN. Rental rates for manufacturing space continues to range from \$3.75 to \$5.25 per s/f for existing modern manufacturing space.

The marketplace continues to experience a stronger interest in acquisition than in lease alternatives. This interest shows its greatest concentration in the 10,000 to 100,000 s/f market segment. This continued demand has had a positive effect on market value as continued scarcity of available properties coupled with increased construction costs has measurably increased sales prices.

New construction is measured with a continuation of less new construction projects than 2006. New construction continues to be fueled by user oriented building additions or new facilities for existing market occupants.

Speculative construction continues to be very limited as the user driven market preference of ownership versus leasehold continues to dominate the marketplace. Additionally, new construction costs continue to establish rental rates exceeding market offerings.

These two factors of a strong existing user driven marketplace and controlled speculative construction continues to provide for sound market conditions which continue to predicate low overall vacancy rates and stabilized market rents.

The region's available industrial land inventory remains able to meet most requirements though parcels able to accommodate many users are often the few remaining parcels of completed industrial parks.

The region's industrial investment marketplace continues to remain limited as the marketplace continues to be user/occupant driven. With favorable locational, employment and cost factors we forecast continued relative stability for Greater Springfield's industry marketplace.

Douglas Macmillan is president of Macmillan and Son, Springfield, Mass.