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## **Results of SIOR Connecticut/Western Massachusetts chapter market survey**

February 19, 2015 - Connecticut

The Connecticut/ Western Massachusetts chapter of SIOR announced the results of their semi-annual membership survey. The survey measured market conditions for the commercial real estate market for the period July through December 2014 within the region.

The trend of positive surveys results continued with a significant majority of responses indicating improvement or stabilization. Members noted improvement from the first half of 2014 to the last half of 2014 with 67% indicating improvement and 24% indicating no change in market conditions and a minority of 9% indicating a decline. Predictions for market conditions for 2015 are optimistic with a majority indicating improvement (62%) and the remainder indicating no change in conditions (38%). However, most members do not anticipate that the improvement in market conditions will result in improved market lease rates during the first six months of 2015. Industrial lease rates are expected to remain unchanged (65%) with a minority expecting an increase (35%). Office lease rates are also expected to remain unchanged (74%) while the remainder is evenly divided between further declines (13%) or an increase (13%).

Expectations regarding the direction of market vacancy rates are slightly more positive for industrial than office. Industrial vacancy rates are expected to decrease (65%) or remain unchanged (23%) with a small number anticipating vacancy rates will increase (12%). The office market is slightly less optimistic as respondents believe office vacancy rates will remain the same (57%) and the remainder expects office vacancy rates to decrease (36%) or for vacancy rates to increase (7%).

Predictions for sales prices and cap rates for 2015 also reflect a positive outlook. Survey responses for industrial properties indicate stable pricing (53%) with the remainder anticipating an increase (47%). Survey responses for office differ slightly as a larger majority (87%) indicates prices have stabilized and the remainder predicts a price increase (13%). Investment cap rates are predicted to remain unchanged (61%), with a sizable minority anticipating a decrease in cap rates (31%) or increase in sales prices and a small group forecasting cap rates to increase (8%).

Members anticipate an increase (29%) in development in 2015 while a majority (71%) expects it to remain the same. Expectations regarding corporate growth in 2015 are limited with the majority expecting status quo (71%) with the remainder divided between expansion (19%) and contraction (10%).

Comments by members note the continued slow pace of recovery and market activity lacks depth and velocity. Absorption is occurring but new users to the market are limited and transactions with existing users are oftentimes renewals or relocations with a decrease in space or increased density. Survey results demonstrate continued improvement in the commercial real estate market in the region but robust growth will require increased economic activity.

A sampling of recent member transactions includes the sale of 20 Thompson Rd. in Branford. It is

an 85,000 s/f industrial facility on 11.2 acres. It sold for \$4.007 million. The seller, Brady Corp., was represented jointly by Jeff Gage, SIOR, who enlisted the help of Kristin Geenty, SIOR and Kevin Geenty, SIOR to assist locally with the marketing assignment.

Also in New Haven County,

DeForest Smith, SIOR represented the landlord, GJS Properties in the lease of 22,000 s/f of retail space at 881 Boston Post Rd. in Milford to Tesla Motors of Palo Alto, Calif.

Mark Duclos, SIOR and Sherri Thompson, SIOR represented Brown University in the sale of 53 North Plains Industrial Road in Wallingford, a 44,426 s/f industrial facility on 3.09 acres, to Vernon II CT, LLC. E-J Electric will be occupying the building.

A 33,000 s/f retail building on 7 acres, located at 1101 Southford Rd. in Middlebury, sold for \$2.5 million to JSD Partners, a furniture dealer establishing a second retail location. Tom Hill, SIOR represented the seller in this transaction.

In Hartford County, Art Ross, SIOR represented Dealer Tire in the lease of 113,437 s/f at 21 Hyde Rd. in Farmington.

18 Craftsman Rd. in East Windsor, 277,000 s/f on 40 acres was sold to Steel Building Systems for \$4.75 million. Phil Gagnon, SIOR represented the seller, STR Holdings in this transaction.

40,200 s/f of industrial and office space was leased to Connecticut Business Systems at 240 Pane Rd. in Newington. Art Ross, SIOR and Mark Duclos, SIOR represented the landlord, Schuco USA in this transaction.

In northeastern Connecticut, Nick Morizio, SIOR and Keith Kumnick, SIOR represented the landlord, The Grossman Companies, in the long-term lease of 147,878 s/f at 349 Lake Rd. in Dayville to C&M Corp.