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Connecticut/Western Massachusetts 2017 mid-year SIOR Market Survey remains positive

August 18, 2017 - Connecticut

330 Stone Road - Windsor, CT

Hartford, CT The Connecticut/ Western Massachusetts chapter of SIOR announced the results of its semi-annual survey of chapter members. The survey measures commercial real estate market conditions for the period January through June within the region.

SIOR member responses regarding market conditions during the first six months of 2017 were positive and continued the trend established in late 2016. The industrial market leads and survey results show limited to no concerns about future price declines. The office market is still sluggish with concerns noted about the potential for future price declines. Survey results were similar to the prior survey as 53% of the membership experienced improvement, 42% experienced no change and 5% experienced a decline in market conditions within Connecticut and western Massachusetts. Predictions for the remainder of 2017 indicate stability with 68% anticipating no change in market conditions and 32% indicating improvement.

100 Helmsford Way - Windsor, CT

Predictions regarding lease rates for the remainder of 2017 are more favorable for industrial versus office lease rates. Results for future industrial lease rates were evenly divided between no change (50%) and an increase (50%). A majority of members predict office lease rates will remain unchanged (75%) while a notable number expect a further decline (25%). Expectations regarding the direction of market vacancy rates for the second half of 2017 are also more favorable for the industrial sector, but less positive for the office sector. Industrial vacancy rates are expected to decrease (62%) or remain unchanged (38%). Office vacancy rates are expected to remain the same (67%) with a sizable number anticipating an increase (27%) and the remaining members expect a decrease (6%).

Predictions for sales prices for the remainder of the year suggest upward pressure on pricing for industrial properties. Predictions for pricing for office and investment properties are generally favorable, but a sizable number of respondents foresee the potential for declines. Survey responses for industrial properties predict an increase in pricing (62%) with the remainder indicating no change (38%). Survey responses for office differ as a majority (75%) indicates prices have stabilized and the

remainder anticipates a price decline (25%). Investment cap rates also predict prices will remain unchanged (64%) or expect cap rates to increase (36%) which results in declining values for investment properties.

The members do not anticipate significant new development for the remainder of 2017. Expectations regarding growth by users for the remainder of 2017 are no change (74%) and the remainder divided between expansion (16%) and contraction (10%). Comments by members indicate big box warehouse distribution has been active. Quality inventory is lacking in some areas due to the lack of building over an extended period. Connecticut's budget issues, as well as high profile corporate losses add some uncertainty to the market.

A sampling of recent member transactions include the sale of 18-26 Imperial Ave. in downtown Westport, a fully leased five-building medical complex with a total of 7,428 rentable s/f. The seller was Amalgamated Realty Company, LLC and the buyer was Greens Farms Centre Associates. The purchase price was \$2.65 million, and David Fugitt, SIOR was the sole broker involved in the transaction.

Michael Guidicelli, SIOR CCIM leased 10,000 s/f of office space to the State of Connecticut at 484 Main St. in Middletown, and then sold the 27,000 s/f office building for \$2.015 million.

480 Bunnell St. in Bridgeport, a 23,000 s/f manufacturing building, was sold by Bruce Wettenstein, SIOR for \$1.6 million to J B Moving and Storage.

A 73,600 s/f facility at 87 Pickett District Rd. in New Milford was leased to Clancy Moving Systems by Joe Wrinn, SIOR. Wrinn also sold a 25,560 s/f building at 23 Commerce Rd. in Newtown to LRM Landscape Contractors for \$1.025 million.

Todd Payne, SIOR handled three office leases at 44 Old Ridgebury Rd. in Danbury; 7,6043 s/f to Chipman Mazzucco Land & Pennarola, 26,000 s/f to General Motors, and 3,869 s/f to Interconex, Inc.

Kristin Geenty, SIOR and Kevin Geenty, SIOR completed a 10,000 s/f industrial lease in Deep River and a 7,500 s/f lease to the North Haven Police Department.

Griffin Industrial Realty broke ground on a 137,000 s/f flex industrial facility at 330 Stone Rd. in Windsor, and Tim Lescalleet handled the preleasing of 73,500 s/f to a national logistics firm. Also on behalf of Griffin Industrial, Tim handled the sale of 67 acres in Bloomfield for \$150,000 per acre for the development of a 750,000 s/f distribution center by an undisclosed company. Other sources have reported Trader Joe's as the end user.

Dialysis Clinic, Inc. leased 11,846 s/f at 270 Farmington Ave. in Farmington. This transaction was procured by Larry Levere, SIOR along with the sale of 21 Talcott Notch Rd. in Farmington for \$1.1 million and 641 Farmington Avenue in Hartford for \$745,000.

Ed Godin, SIOR sold 60 acres of industrial land in Oxford, CT for \$925,000. He also handled the sale of 130,000 s/f in Torrington on behalf of Turner & Seymour Manufacturing for \$425,000, and 300,000 s/f to the city of Waterbury at 64 Washington St. in Waterbury for \$650,000.

A long-term lease was signed at 100 Helmsford Way in Windsor by Arrow Electronics, a modern 170,000 s/f distribution building. The tenant was represented by Art Ross, SIOR.

Mark Duclos, SIOR represented SCA Pharmaceutical in the lease of 89,200 s/f at 555 Rainbow Rd. in Windsor, which involved a significant tenant improvement build-out. Duclos, along with Art Ross, SIOR also represented New Boston Fund in the sale of 47 Leggett St. in East Hartford to Specialty Packaging for \$1.61 million.

1045 Sheridan Street in Chicopee, Mass., a 62,000 s/f food distribution facility, was leased long-term to Consumer Product Distributors. Art Ross, SIOR represented the landlord in the transaction and John Reed, SIOR represented Friendly's in the lease termination agreement necessary to consummate the transaction.

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