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## **SIOR CT/Western Mass. Chapter semi-annual market report**

August 17, 2018 - Connecticut

Hartford, CT The Connecticut/ Western Massachusetts chapter of SIOR presented the results of its semi-annual membership survey of commercial real estate market conditions. The survey is based on market activity for the period January through June within Connecticut and western Massachusetts.

Responses were positive and optimistic but they indicate a slowdown in momentum in early 2018. Industrial continues to demonstrate greater strength than the office sector. The results also reflect some individual markets that continue to lag behind. Responses regarding overall market conditions were split between improvement (38%), decline (32%) and no change (32%). Predictions for the remainder of 2018 are 56% expecting no change, 31% anticipating improvement and 13% expecting a decline.

Predictions regarding lease rates for the remainder of 2018 are positive for industrial which has been a consistent trend and members forecast either an increase (54%) or no change (46%). Office lease rates are expected to remain unchanged (75%) although there is a sizable amount of negative sentiment as 25% of the members forecast a decline and no predictions for office lease rates to increase.

Predictions for market vacancy rates for the remainder of 2018 are once again more favorable for industrial versus office. Responses for the industrial sector forecast stability with vacancy rates remaining unchanged (54%) or decreasing (38%) with a bit of negative sentiment as some responses predict an increase (8%). Predictions for office vacancy rates are less favorable as a sizable number forecast an increase in vacancy rates (33%) with a majority (67%) expecting rates to remain unchanged.

The outlook for sales prices for 2018 follows the trend line with a more favorable outlook for industrial but the results for the office sector suggest continued firming up of the market. Survey responses for industrial properties predict upward pressure on pricing (54%) or stable pricing (46%). Survey responses for office indicate prices (79%) have stabilized but a notable number of responses anticipate further price declines (21%). Predictions for investment cap rates presumably reflect potential interest rate hikes with a sizable number expecting cap rates to increase (64%) which results in declining sales values for investment properties. Remaining responses for cap rates are 27% anticipating no changes or a decrease in cap rates (9%).

Expectations regarding market expansion are less optimistic for both growth and new development.

The majority of members do not anticipate new development (56%) in 2018 with the remainder predicting a decline (25%) or an increase (19%). Expectations regarding growth by users indicate no change (54%) or expansion (33%) or contraction (13%).

Comments by members reflect concerns about a lack of inventory in some markets. They also note the increased national activity but the Connecticut economy continues to under-perform. Overall members believe the weakness of the first half will be offset by a strong year end.

The CT/Western MA Chapter is one of 48 chapters of the international organization, the Society of Industrial and Office Realtors. Commercial real estate professionals must meet rigorous requirements to earn the SIOR designation. SIOR, founded in 1941, has over 3,200 members in 685 markets located in 36 countries. SIOR represents today's most knowledgeable, experienced, and successful commercial real estate brokerage specialists. The SIOR designation stands unchallenged for excellence in the performance of real estate services, and is universally recognized as the prerequisite in the selection of a commercial real estate broker, agent, or consultant.

Please visit the chapter's website ([www.siorct.com](http://www.siorct.com)) to find additional information on the chapter, members, and upcoming events. Should you have questions or interest in the requirements and benefits of becoming an SIOR and joining the Connecticut/Western Massachusetts Chapter, please contact Stephen Press, SIOR at 203.288.1900 or John Reed, SIOR at 860.987.4788.

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