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## **CT/Western MA chapter of SIOR presented the results of semi-annual membership survey of commercial real estate market conditions**

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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 July 2018 through December 2018 within Connecticut and western Massachusetts.

Market activity was healthy and future expectations are weighted towards stable or improving market conditions with limited expectations of declines. The industrial sector continues to have a more favorable outlook than the office sector which has lagged behind. Results for the office sector are mixed which suggests differing rates of progress in the sub-markets.

The survey results for market conditions in the last half of 2018 versus the first half of 2018 were stable market conditions (65%), improving market conditions (29%) and declining (6%). There was a significant positive shift from the prior survey from declining market conditions to stable. Predictions for 2019 are similar with 59% anticipating no change, 29% expecting improvement and 12% expecting a decline.

Predictions regarding lease rates for 2019 are also indicative of status quo with a slightly more positive outlook for industrial which has been consistent for multiple surveys. For the industrial sector members forecast an increase (40%) or no change (60%) and no predictions of a decrease. Office lease rates are largely expected to remain unchanged (67%) although there is a sizable amount of negative sentiment as 27% of the members forecast a decline and a small group expects rates to increase (6%).

Expectations for market vacancy rates for the first half of 2019 for the industrial sector forecast that vacancy rates will decrease (80%) or remain unchanged (13%) with limited prospect of an increase in vacancy rates (6%). Predictions for office vacancy rates forecast rates to remain unchanged (47%) or increase (40%) with a limited number of responses forecasting a decrease (13%).

The outlook for sales prices in 2019 for industrial properties is positive with stable pricing (53%) or increases (40%) and limited expectations of declines (7%). Survey responses for office are mixed as (60%) indicate prices have stabilized but a sizable group anticipates further price declines (40%). Federal Reserve interest rate hikes appear to be less of a concern as 62% anticipate no changes in investment cap rates. Remaining responses are divided between cap rates increases (23%) which

results in declining sales values for investment properties and a decrease in cap rates (15%).

The majority of SIOR Chapter members do not anticipate new development (76%) in 2019 with the remainder predicting an increase (18%) in development or a decline (6%). Expectations regarding growth by users indicate no change (65%) or expansion (24%) or contraction (12%). Comments by SIOR Chapter members note short supply of industrial product may trigger new development. Office is over supplied and will continue to struggle. Real sustained growth will require attracting new companies to the region.

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