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Greater Springfield industrial market update from CBRE for 2019 - by John and Jack Reed

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The Greater Springfield market has experienced steady, growth in recent quarters, though future growth is limited by the lack of quality inventory and absence of proposed construction in the near future. At 4.0%, vacancy is among the lowest the market has seen in years as rents remained relatively flat at \$4.52 per s/f triple net (NNN) and availability increased slightly to 5.7%.

The following bullet points outline the condition of the market in 2019:

- Reasonable demand;
- Slowed market velocity;

- Limited quality industrial product;
- Pent up demand in the 10,000-50,000 s/f sector;
- 4% vacancy in class A and B product;
- Slight uptick in rental rates and sale prices;
- Ready industrial land;
- Transportation, distribution and labor help drive the market;
- Infrastructure investment; and
- Slow and steady through 2019.

In the Greater Springfield market demand continues in the 10,000-50,000 s/f range with this sector having the least availability of industrial product. Buyers and tenants are still in the market. The lack of alternatives is stifling this sector, resulting in the possibility of new construction. However, there remains the price differential between existing product and the cost of construction.

As the focus turns to building, the Greater Springfield industrial market has desirable shovel-ready sites that are waiting to be developed. Regional industrial land prices are between \$75,000-150,000 per acre, equaling \$5.00-10.00 per s/f FAR. Chicopee, Enfield, Ludlow and Westfield have the greatest inventory of available acreage with good highway accessibility and necessary infrastructure in place. A few of these sites are partially or fully entitled.

Due to the inventory tightening, the market is experiencing a slight increase in lease rates and sale prices. Lease rates have returned to pre-recession levels. This slight improvement is timely as operating expenses and construction costs continue to increase.

In addition to this activity, Greater Springfield—due to its attractive labor pool and excellent highway accessibility—is seeing recurring interest from regional distribution operations, e-commerce and food distribution companies. We expect this interest to continue.

Western Massachusetts saw several industrial transactions in 2019. For example, Sunshine Village expanded and relocated from Chicopee to a 17,600 s/f facility on Silver St. in Agawam. Additionally, a clean-wood processing facility recently gained approval to operate on a brownfield site that was formally used for vehicle reclamation. As a provider to the city of Springfield, Northern Tree Service is planning to reposition the property to process downed trees and branches. This new facility will be located at the intersection of Bay and Tapley Sts. Recognizing the excellent highway accessibility in greater Springfield, an international packaging firm has consolidated two New England operations into a 55,000 s/f building at 20 Veterans Dr. in Chicopee. Also, in Chicopee, a 90,000 s/f beverage

distribution facility on 16 acres recently sold. The vacant 128,000 s/f distribution building at 320 Bowles Rd. in Agawam is currently under contract to a Boston developer. With a 65,000 s/f anchor tenant, the 60,000 s/f balance will provide the market with some much-needed availability of distribution space. Finally, Amazon leased 140,000 s/f of last-mile industrial space in Holyoke, that is owned by a local developer. All of this above activity will provide hundreds of jobs to the area and continued facetime for Western Massachusetts as a desirable region for e-commerce facilities.

In 2019, the Greater Springfield industrial market experienced reasonable sales and leasing activity. There will be demand from the smaller and mid-size industrial sector and interest from larger distribution companies. Absorption will continue, leaving limited existing product. Permitted land will be of interest as new construction becomes more relevant. We expect continued momentum throughout 2020.

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