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SIOR presented the results of its semi-annual membership survey

February 21, 2020 - 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 July 1, 2019 through December 31, 2019 within Connecticut and western Massachusetts.

Survey results for market activity as well as forecasts were positive but with a subtle shift to stable conditions from increasing activity. The industrial sector continues to have a more favorable outlook both locally and nationally in part due to the growth in e-commerce. The office sector continues to lag behind with mixed forecasts which suggest a difference in market conditions between the sub-markets versus a consistent overall market trend.

The survey results for market conditions in the last half of 2019 versus the first half of 2019 point to stable market conditions (65%), improving market conditions (30%) and a decline (5%). Predictions for 2020 are 60% anticipating no change, 35% expecting improvement and 5% expecting a decline. Survey results for both categories were consistent with the first six months of 2019.

Predictions regarding lease rates for 2020 are also indicative of status quo with a more positive outlook for industrial which has been consistent for multiple surveys. For the industrial sector members forecast no change (61%) or an increase (39%) and no predictions of a decrease. Office lease rates are largely expected to remain unchanged (62.5%) although there is a sizable amount of negative sentiment as 37.5% of the members forecast a decline with no forecasts for an increase.

Expectations for market vacancy rates for the first half of 2020 for the industrial sector forecast vacancy rates will decrease (47%) or remain unchanged (47%) with limited prospect of an increase in vacancy rates (6%). Predictions for office vacancy rates predict rates will remain unchanged (47%) or increase (35%) with a limited number of responses forecasting a decrease (18%).

The outlook for sales prices in 2020 for industrial properties is positive with stable pricing (56%) or increases (44%) and no expectations of a decline. Survey responses for office are mixed as (53%) indicate prices have stabilized but a sizable group anticipates further price declines (42%) and 5% predict an increase. A majority (55%) anticipate no changes in investment cap rates. Remaining responses are divided between cap rates increasing (36%) which results in declining sale values for investment properties and a decrease in cap rates (9%).

The majority of SIOR Chapter members do not anticipate new development (63%) in 2020 with the remainder predicting an increase (21%) in development or a decline (16%). Expectations regarding growth by users indicate no change (47%) or expansion (37%) or contraction (16%). Comments by SIOR Chapter members note continued strength of the industrial market but are concerned it may be slowing nationally. Office is over supplied and will continue to struggle.

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