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Connecticut/Western MA SIOR Chapter survey and market report

August 21, 2020 - Connecticut

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 2020 through June 2020 within Connecticut and western Massachusetts.

It is important to note market activity was impacted by the COVID-19 virus and the voluntary shutdowns and government-imposed restrictions. The disruption had a greater negative impact on the office market than the industrial market as demand for industrial continued due to shifts to e-commerce and other reasons. Survey results for overall market conditions which include both office and industrial reflect the slowdown in market activity with 61% indicating a decline in market conditions from the last six months of 2019. Other responses indicate no change (30%) or improvement (9%) which may reflect some return of market activity in May/June. Predictions for the remainder of the year for market conditions are 44% expecting improvement, 30% expecting further declines and 26% predicting no change.

Predictions regarding lease rates for the remainder of 2020 are positive for the industrial sector with forecasts of rental rate increases (52%) or no changes (48%). A significant number of members expect further declines in office lease rates (85%) with 10% predicting no change and 5% predicting an increase. Predictions for market vacancy rates are once again more favorable for industrial versus office. Responses for the industrial sector predict vacancy rates will decrease (58%), remain unchanged (32%) or rates will increase (10%). Predictions for office vacancy rates are negative with a majority (90%) expecting vacancy to increase and the remainder expect no changes (10%).

The outlook for sales prices for 2020 is more favorable for industrial versus the office sector. Responses for the industrial sector predict upward pressure on pricing (61%) or stable pricing (39%). Responses for office overwhelmingly predict the prospect of price declines (90%) with the remainder divided between an increase (5%) and no change (5%). Results for investment cap rates are mixed with 42% anticipating no changes, 42% predicting an increase in cap rates and 16% predicting a decrease in cap rates.

Expectations regarding market expansion are less optimistic for both growth and new development. The majority of members do not anticipate new development (56%) in 2020 with the remainder predicting an increase (26%) or a decline (17%). Expectations regarding growth by users predict contraction (48%) no change (35%) or expansion (17%).

In spite of the negative survey results there are a number of positive items that bode well for the future. The economy and commercial real estate were both healthy prior to COVID-19 at the beginning of 2020. While not ignoring the impact of the virus there is still a considerable portion of the economy that is still operating in some cases, remotely but operating, nonetheless. Various governments are committed to stimulating their economies – all of which increases the prospects for recovery.

The Connecticut/Western Massachusetts Chapter is one of 48 chapters of the prestigious 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.

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