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Greater Springfield offers attractive labor pool, excellent highway accessibility and developable land - by John and Jack Reed

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After a slow start in the beginning of 2020, the Greater Springfield industrial market has experienced consistent, positive growth in recent quarters, though future growth is limited by the lack of quality inventory. Rents were steadily increasing through Q1 2021, with an average of \$4.37 per s/f triple net (NNN) and availability has continued to decrease. The current vacancy rate is at 4.0%. This is the lowest rate the market has seen in years.

The following summarizes the condition of the market in 2021:

- Continued demand
- Slowed market velocity due to limited quality industrial product
- Pent-up demand in the 10,000 to 50,000 s/f sector
- 4% vacancy in industrial product, less in Class A
- Increase in rental rates and sale prices
- Developable industrial land
- Transportation and distribution driving demand
- Infrastructure investment
- Steady activity expected throughout 2021

Demand remains steady in the Greater Springfield industrial market with the 10,000 to 50,000 s/f range having the least availability of product. Buyers and tenants are active, and the lack of existing building alternatives is suppressing growth in this sector, resulting in the possibility of new construction. A significant price differential remains between existing product and the cost of new construction, particularly with the steep increase in raw material costs over the past year. A surge in e-commerce related growth during the pandemic has led to a number of larger requirements ranging from 100,000 to 500,000 s/f and larger to become active in the region.

As new construction becomes a possibility, the Greater Springfield industrial market has desirable shovel-ready sites that are partially or fully entitled and ready for development. Regional industrial land prices are between \$75,000 and \$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 necessary infrastructure and good highway accessibility.

As the available inventory continues to shrink, the market will experience upward pressure on lease rates and sale prices. This trend was temporarily stalled in Q2 2020 at the onset of the pandemic but resumed in the summer of 2020 and will continue through 2021. This sale price and lease rate improvement is timely as operating expenses and construction costs continue to increase.

Greater Springfield, due to its attractive labor pool and excellent highway accessibility, has strong interest from regional distribution operations, e-commerce and food distribution companies.

Western Massachusetts saw several industrial transactions in 2020. For example, Hood purchased

an adjacent 141,000 s/f building next to their existing operation in Agawam. This 13.41-acre site will provide ample room for expansion. Chemex sold its 16,650 s/f in Chicopee and relocated to a 74,540 s/f facility also in Chicopee. Recognizing the excellent highway accessibility in Greater Springfield, the Chicopee River Business Park has been drawing attention by selling a 16-acre parcel to a local food distribution operation for the construction of a 65,000 s/f food-grade warehouse. Two other parcels in that park are currently under contract. Airpark South is currently planning the construction of a 590,000 s/f distribution facility on the south side of Westover. When complete, this building will support airport related users as well and traditional and e-commerce distribution requirements. Two distribution facilities are planned in Enfield. One of the developments is a partially entitled 181-acre site that will ultimately support 1.2 million s/f. The same developer expects to break ground on a 50% leased, 500,000 s/f distribution facility in Q2 2021. This continued activity will provide hundreds of jobs to the area and continued facetime for Western Massachusetts as a desirable region for corporate and e-commerce facilities.

Greater Springfield Industrial Market Forecast

In 2020 and into 2021, the Greater Springfield industrial market saw reasonable sales and leasing activity. There is continued demand in the smaller and mid-size industrial sector and interest from larger distribution companies. Permitted land is attractive to potential occupiers and is increasing demand as new construction becomes a greater possibility. There will be continued momentum throughout 2021.

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