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## **The southeastern Connecticut commercial real estate market is in good shape**

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Heading towards the end of 2008 we find the SE CT commercial real estate market in surprisingly good shape. It has been said that the commercial sector lags the residential sector, so is 2009 our year for correction? It does not appear the old adage applies this time around. It's hard to say for sure, but all indications point to a very soft landing and a steady rebound from the lending crisis that rocked the residential real estate market.

We find the Class A office market in fair shape. Prices have held and occupancies are still near 80%. Property charges are hovering around \$7 - \$7.80 per s/f. And although some of the larger tenants seeking space in New London failed to materialize, 30,000 s/f was leased at Shaw's Cove Six to a large local manufacturing/engineering company which helped to cut by more than half the vacancy there of 58,000 s/f to 28,000 s/f. Overall opportunities are still in play for larger office tenants to lease space at very competitive prices as compared to other areas of the state.

The 1,000 s/f - 10,000 s/f industrial sector, although initially struck by the downsizing of building contractors hit hard by the residential correction, has recovered by leasing spaces to other smaller businesses. Finding smaller industrial space, though far from difficult, is still a challenge. Prices have held firm and a tenant's (buyer's) market has not emerged.

The SE CT retail marketplace has definitely experienced a downturn. Deals that were in the pipeline help to sustain the market, even though some of the ongoing deals have been canceled. New development appears to be on the sideline biding its time. There are, however, deals percolating, an ever present sign that a rebound in this sector is inevitable. With this in mind a look towards the future and 2009 is seen as welcomed.

Still one of the most notable events in the retail sector took place in East Lyme where the Gateway project, a retail/office/residential development, finally got its text amendment approval to the zoning regulations to permit the proposed larger sized stores and is now moving ahead to obtain all other necessary approvals to begin construction. Additionally the town of Preston and Northland Investment Corp. have officially announced an agreement to enter into negotiations for the development of the Norwich State Hospital site.

Overall, as in 2007, the engines that drive the SE CT marketplace are running on all cylinders: Pfizer Corp. continues to be a positive economic force as does the Electric Boat Division of General Dynamics. In addition the U.S. Subase is undergoing renovations and securing its future here in SE CT. The casinos, although having seen net profits plunge in the spring and summer as a result of the higher gas prices and the current economic slump, are still stable places of employment and remain an attraction for tourists and conventioners. With an optimistic eye towards 2009 those of us who survived the recession of 1988-1992 are pleased to report that 2008 will be recorded as a good year and that today's economy is in far better shape than the "doom and gloomers" would

have us think.

John Jensen, SIOR is manager of Pequot Commercial, Waterford, Conn.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540