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The Western Mass. CRE market has largely mirrored the rest of the country in 2020 and 2021 - by William Low

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William Low

The Western Massachusetts commercial real estate market has largely mirrored the rest of the country in 2020 and 2021. The industrial sector has been on a tear while the retail and office markets, not so much.

Modern high bay warehouses continue to be in demand as e-commerce accelerates, pushed somewhat by the COVID pandemic. Cannabis cultivation companies are like zombies; they keep coming but you can't kill them. Surprisingly, some of these companies have money, as evidenced by recent transactions in Holyoke.

Warehouse lease rates have stabilized after rising by \$2.00 to \$3.00 a s/f over the last three years. Rates stand at \$5.00 to \$7.00 a s/f depending on size and location. We recently listed a 70,000 s/f warehouse space and had a signed LOI within two weeks, a good indication of the strength of that sector.

The office market is still figuring out what it wants to be when it grows up, using terms like "hybrid model" and "co working space." We're seeing more "executive" suite activity than traditional office suite leasing. We do predict vacancy to remain high for most of 2022 with leasing accelerating in the 4th quarter.

Retail developers are repurposing some properties due to the continued increase in internet shopping by consumers, refitting to distribution centers for vacant big box stores or offices for inline community strip centers.

Commercial investment properties have been in great demand and will continue as investors seek safe ways to get the best yields. It's predicted that cap rates will stay low even with interest rates increasing, economists see lease rates increasing for industrial assets in good locations with credit tenants. Geography plays a role in the viability of this asset class. In the Southeast and Southwest regions, leasing activity has already returned to pre-Covid levels, and many of the new leases getting signed have 10-plus-year terms attached.

The Greater Springfield market is a conundrum; good companies are chased away with an unfriendly business environment, Smith and Wesson leaving because of proposed legislation that could hurt their business. Although the gun legislation is "proposed" they see the writing on the wall, it will eventually happen. But then; it's reported that Springfield is #1 in the nation for tech job posting (506.3% increase from 2020-2021) and a Conde Nast Traveler annual readers choice survey votes Bradley Airport #3 in the country. Go figure! I guess you must be lucky sometimes.

William Low Jr. is president of L&P Commercial, Longmeadow, Mass.

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