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Connecticut/Western Massachusetts chapter of SIOR market survey

August 19, 2022 - Connecticut

Avon, CT The Connecticut/Western Massachusetts chapter of SIOR announced 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 2022 through June 2022 within Connecticut and western Massachusetts.

Consistent with prior survey results, the outlook for the industrial market continues to be positive while the outlook for the office market continues to be negative. Remote working has had a disproportionate impact on the office market as users are evaluating their space needs with a bias towards downsizing versus expansion. Survey results for changes in market conditions during the first half of the year were positive indicating stable market conditions (41%) or improvement (35%) with a limited number of responses indicating a decline (24%). Predictions for the remainder of 2022 are generally positive with members anticipating no change (41%) or forecasting improvement (24%) but do include a notable increase in negative sentiment with expectations of a decline increasing (35%).

Predictions regarding lease rates for the remainder of 2022 are positive for the industrial sector with forecasts of rental rate increases (60%) or no changes (40%). A significant number of members expect further declines in office lease rates (80%) or no change (20%) with no predictions of increases in office lease rates. Responses for the industrial sector predict vacancy rates will decrease (67%), remain unchanged (20%) or rates will increase (13%). Predictions for office vacancy rates are negative with a majority (93%) expecting vacancy to increase and the remainder expect no changes (13%).

The outlook for sales prices for 2022 is once again more favorable for industrial versus the office sector. Responses for the industrial sector predict upward pressure on pricing (53%) or stable pricing (40%) with limited expectations of a decline (7%). Responses for office overwhelmingly predict the prospect of continued price declines (93%) or no change (7%). Results for investment cap rates show a shift presumably due to increases in lending interest rates with 63% predicting an increase in cap rates, 25% anticipating no changes and 12% 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 (65%) in 2022 with the remainder predicting an increase (24%) or a decline (12%). Expectations regarding growth by users predict no change (53%), expansion (29%) or contraction (18%).

Market fundamentals for the industrial sector both locally and nationally continue to be strong and are expected to remain so into 2023. It appears the office sector will lag behind for at least the remainder of 2022. Inflation and supply chain issues will also impact both sectors.

The Society of Industrial and Office Realtors is the leading professional office and industrial real estate association. With 3,600 members in 45 countries and 722 cities, 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.

Visit the chapter's website (www.siorct.com) to find additional information on the Connecticut/Western Massachusetts chapter, chapter members, and upcoming events. Should you have questions or interest in the requirements and benefits of becoming an SIOR and joining the Connecticut/Western Massachusetts chapter, please contact John Reed, SIOR at 860.987.4788.

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