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## **Conn./Western Mass. SIOR Chapter market survey for July-Dec. 2022**

February 17, 2023 - Connecticut

Hartford, CT The Connecticut/ Western Massachusetts chapter of SIOR has completed its semi-annual membership survey of commercial real estate market conditions. The survey is based on market activity for the period July 1, 2022 through December 31, 2022 within Connecticut and western Massachusetts.

Survey results were generally consistent with results from the first half of 2022, but do reflect a subtle shift in sentiment for the industrial sector and suggest moderation in the rate of growth. The remote work trend continues to overhang the office sector and negatively affect current activity as well as the prospects for recovery in the future. Survey results for changes in market conditions from the first half of 2022 to the latter half of 2022 include both office and industrial and are somewhat mixed. Member responses indicate stable market conditions (46%) prevailed but include a sizable group indicating a decline (31%) and the remainder indicating improvement (23%). Market predictions for 2023 are also mixed as a large group of members anticipate no change (50%) in market conditions while others predict a decline (36%) or improvement (14%).

Predictions regarding lease rates for 2023 demonstrate the different outlooks for the industrial and office sectors. For the industrial sector members forecast an increase in lease rates (30%) or no change (70%) and no predictions of a decrease. There is a fair amount of negative sentiment for the office sector as a majority of members forecast a decline in office lease rates (72%) and a minority expect rates to remain unchanged (28%) with no forecasts for an increase.

Predictions for market vacancy rates for the first half of 2023 for the industrial sector remain positive with responses indicating no change (48%), a decrease (42%) or an increase (10%). Predictions for office vacancy rates in 2023 forecast an increase (84%) in vacancy with limited responses predicting vacancy rates will remain unchanged (11%) or forecasting a decrease (5%).

The outlook for industrial sales prices in 2023 is positive as members generally predict increases (42%) or stable pricing (48%) with a limited number predicting a decrease (10%). Survey responses for office sales prices overwhelmingly predict further price declines (95%) with a limited number anticipating prices will remain stable (5%). The Federal Reserve series of interest rate increases that began in 2022 to combat inflation have influenced the investment sales market. Survey results for cap rates do not distinguish between product types and reflect the overall market. A majority anticipate an increase (72%) in cap rates with a smaller group anticipating no change (22%) or a decrease in cap rates (6%). Increasing cap rates result in a decrease in sales prices.

The majority of SIOR Chapter members anticipate new development will remain the same (68%) in 2023 with the remainder expecting an increase (27%) or a decline (5%). Expectations regarding growth by users in 2023 indicate no change (46%), expansion (27%) or contraction (27%).

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 to find additional information on the Conn./Western Mass. Chapter, chapter members, and upcoming events. Should you have questions or interest in the requirements and benefits of becoming an SIOR and joining the Conn./Western Mass. Chapter, contact John Reed, SIOR at 860.987.4788.

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