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## **SIOR releases chapter market survey**

March 22, 2024 - 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, 2023 through December 31, 2023 within Connecticut and western Massachusetts in the office and industrial sectors.

Market conditions continue to be positive for the industrial sector with some lessening of demand but with continued tightness on the supply side. Remote work continues to overhang the office sector and negatively affect current activity. We note more companies appear to be requiring a return to the office but SIOR anticipates this sector will continue to underperform. Survey results for changes in market conditions from the first half of 2023 to the latter half of 2023 include both sectors. Member responses are positive and indicate stable market conditions (64%) prevailed while a smaller group see further improvement (22%) and the remainder indicating decline (14%). Market predictions for 2024 are also positive as (50%) anticipate no change in conditions or improvement (43%) while a limited number anticipate a decline (7%).

Predictions regarding lease rates for 2024 demonstrate the different outlooks for the industrial and office sectors. For the industrial sector most members forecast no changes in lease rates (77%) with the remainder divided between an increase (15%) or a decrease (8%). A majority of members forecast a decline in office lease rates (83 %) and a minority expect rates to remain unchanged (17%) with no forecasts for an increase.

Predictions for market vacancy rates for the first half of 2024 for the industrial sector remain positive with responses indicating no change (46%) or a decrease (46%) and limited expectations of an increase (8%). Predictions for office vacancy rates in 2024 are less negative than prior surveys. Results were evenly divided (50/50) between unchanged or further decreases.

The outlook for industrial sales prices in 2024 has shifted from increases (31%) to stable pricing (69%) with no predictions of a decrease. Survey responses for office sales prices have also turned less negative with responses evenly divided (50/50) between prices remaining the same or further declines. Survey results for investment cap rates are for the overall market and reflect the interest rate increases over the past year. Responses are generally divided between an increase (46%) in cap rates or no change (46%) with a limited group predicting a decrease in cap rates (8%). Increasing cap rates result in a decrease in sales prices.

The majority of SIOR Chapter members anticipate new development will remain the same (72%) in

2024 with the remainder evenly split (14/14%) between an increase or a decline. Expectations regarding growth by users in 2024 indicate no change (79%) or expansion (22%).

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