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## **The greater Springfield marketplace continues to experience activity in all market segments**

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As Greater Springfield's commercial and industrial marketplace enters the fourth and final quarter of 2008, the local marketplace is concluding a year that will end under very dramatically different overall economic conditions than those it began with.

If one were to summarize the culmination of events that have lead to our present economic status the term "Perfect Storm" would be fitting.

As the global, national, regional and local economics continue to experience the ramifications of the financial crisis that is affecting us all, Springfield's overall marketplace will not be spared from the ramifications of the "melt down".

As an urban tertiary marketplace, Greater Springfield's office and industrial market has experienced some recent appreciation in market values. This appreciation was measured in comparison to many other similar or larger market areas. As such Greater Springfield's overall market place did not experience the excesses typified elsewhere. Additionally, Springfield's office and industrial markets have recovered at a slower pace from the region's last downturn.

Appreciation was principally realized in the industrial market segment where the market place experienced an increase in demand due to the overall health of the economy and increased availability of financing for acquisition and expansion. While this appreciation was realized it was measured and did not lead to over speculation and increased speculative construction locally.

The majority of this appreciation was principally driven by local absorption of available land and buildings by local companies for expansion or relocation of existing requirements. As such the subsequent absorption and subsequent increased market value was not the product of the excesses of the financial market but a reflection of the internal growth of the market segment, local economy, supply and demand factors.

Within the last twelve months the region's industrial marketplace has experienced a measurable increase in the overall vacancy rate from a long standing approximate seven and a half percent to over ten percent. This increased vacancy rate is principally represented in buildings previously occupied by national or international companies negatively affected by the slowing economy and globalization. As the vacancy rate appreciates, the market has already begun to experience destabilization of asking prices and significantly increased marketing times.

The region's office marketplace continues to experience sluggish market conditions with Springfield's Central Business District continues to experience the greatest negative impact.

As the impact of the financial crises is sure to have a drastic impact on office space availability nationally, it is more than likely Greater Springfield's office market will not escape the storm.

In considering the present state of the local office marketplace, the possibility of further decline is troubling at best. The overall office marketplace continues to experience increased vacancy with the

suburban market continuing to enjoy a relatively higher occupancy rate and continued positive absorption. However, as the national marketplace and its users continue to consolidate to address "cost" issues I think it is a fair prediction to conclude the suburban marketplace will also feel the affect of the current times.

The good news is that as a whole Greater Springfield's office and industrial markets having not fully participated in the recovery after the 1990-1993 decline should fair far better than other marketplaces as the market doesn't have as far to fall.

Additionally, the region's locational, demographic and cost factors should continue to provide for the region's historically slower but stable overall economy.

While we continue to experience activity in all market segments, the howl of the approaching storm can be seen and felt.

Douglas Macmillan is president of Macmillan and Son, Inc., Springfield, Mass.

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