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Connecticut/Western Mass. SIOR releases semi-annual chapter market survey

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Hartford, CT The Connecticut/ Western Massachusetts chapter of SIOR released 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 2024 through June 2024 within Connecticut and western Massachusetts.

Overall market conditions remain positive with the industrial sector continuing to be more active than the office sector. Survey results for industrial reflect a modest shift in sentiment from prior surveys towards a market with somewhat reduced activity but still generally favorable market conditions. The office sector is expected to continue to underperform with mixed responses on whether it will continue to decline further or whether it has stabilized.

Survey results for changes in market conditions during the first half of the year from respondents were: stable market conditions (50%), decline (33%) or improvement (17%). Predictions for the remainder of 2024 were members anticipating no change (66%) or evenly split (17/17%) between improvement or a decline.

Predictions regarding lease rates for the remainder of 2024 are still positive for the industrial sector. Members predict the following: no changes (55%), increases (27%) or decreases (18%). Predictions for the office sector from members were either no change (67%) or further declines in office lease rates (33%) with no predictions of increases in office lease rates. Responses for the industrial sector predict vacancy rates will remain unchanged (64%), decrease (27%), or increase (9%). Predictions for office vacancy rates are negative with a majority (56%) expecting vacancy to increase and the remainder anticipating no changes (33%) or a decrease (11%).

The outlook for sale prices are in line with other results. Responses for the industrial sector predict stable pricing (64%) and the remainder are evenly split (18/18%) between upward pressure on pricing or a decline. Responses for office predict the prospect of continued price declines (70%) with the remainder predicting stable pricing (30%). Results for investment cap rates were 40% predicting an increase in cap rates and 60% anticipating no changes.

Expectations regarding market expansion are less optimistic for both growth and new development. The majority of members do not anticipate new development (84%) in 2024 with the remainder evenly split (8/8%) between an increase or a decline. Expectations regarding growth by users predict no change (75%), expansion (17%) or contraction (8%).

Market fundamentals for the industrial sector both locally and nationally continue to be strong and are expected to remain so for the remainder of 2024. Interest rates and financing are concerns for the commercial real estate market – both locally and nationally.

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