



CELEBRATING
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The Connecticut/ Western Massachusetts chapter of SIOR

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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, 2024 through December 31, 2024 within Connecticut and western Massachusetts in the office and industrial sectors. Market conditions continue to be positive for the industrial sector while uncertainty continues to weigh down the office sector. We note more companies and the Federal Government are requiring a return to the office which hopefully will stabilize that sector. Survey results for changes in market conditions from the first half of 2024 to the latter half of 2024 are not broken down by sector and reflect the broader market. The results reflected a subtle change from prior surveys with an increase in stable conditions and away from a decline. Member responses are positive for the overall market and indicate stable market conditions (65%) prevailed while the remainder are evenly split between improvement (17.5%) and decline (17.5%). Market predictions for 2025 are also positive as a majority predict improvement (53%) or no change (41%) while a limited number anticipate a decline (6%).

Predictions regarding lease rates for 2025 highlight the different outlooks for the industrial and office sectors. For the industrial sector most members forecast no changes in lease rates (53%) with remaining response indicating a decrease (25%) or an increase (19%). Results were fairly consistent with the prior survey. Predictions for industrial vacancy rates for the first half of 2025 are an increase (31%) with the remaining responses indicating a decrease (38%) or no change (31%). This is a notable shift in the no change category from prior survey results (64%) and suggests some unevenness in the market. A majority of members forecast office lease rates will remain unchanged (54%) and the remainder expect further decline in office lease rates (46%) and no forecasts for an increase. Predictions for office vacancy rates in 2025 are less negative than prior surveys with market condition results of unchanged (57%), increase (21.5%) and decrease (21.5%).

The outlook for industrial sales prices in 2025 predicts price increases (44%) or stable pricing (44%) with limited predictions of a decrease (12%). That is a significant change in the price increase category from the prior survey (18%) and perhaps reflects the continued shortage of available industrial product for sale. Predictions for office sales prices indicate the potential for further decreases (54%) with other members predicting pricing to remain the same (31%) or increase (15%). 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 (44%) in cap rates or no change (56%). Increasing cap rates result in a decrease in sales prices.

The majority of SIOR Chapter members anticipate new development will remain the same (70%) in

2025 with the remainder predicting an increase (12%) or a decline (18%). Expectations regarding growth by users in 2025 indicate no change (65%) or expansion (35%).

Visit the chapter's website (www.siorct.com) for more information.

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