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Western Mass. industrial market: These are extraordinary times and will end, eventually

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I really hate to upset the current trend of doom and gloom but our business, as measured by total volume saw a 15.5% increase over 2007. Bucking the national trend activity was greatest in sales of retail sites and industrial leasing. Having said that, activity was brisk early in the year and slowed significantly from September through New Years then it picked up. Yes, manufacturers continue to leave for the South, Midwest, and Asia. However, due to the Pioneer Valley's diverse industrial base, we continue to see infilling by small local companies to those vacancy's. I realize that one Brokerage Company's success (several competitors also had a good 2008) is not a good indicator of the real health of the industrial market; in fact Western Mass suffered a rise in industrial inventory. It's difficult to say what the vacancy rate is due to the unreliable methods used to gage it, in other words everyone guesses. I've seen Brokerage companies be apart by 3%-4%, so the 8% reported by one is 12% by another and it's been this way since I came to this market 20 years ago. In fact even the most well-intentioned statistician is victim to the owner/developer's inaccurate information. Ten years ago one of the most prolific developers in Western Mass told me that when asked by a local Brokerage company, that he didn't like, about lease rates he lied just for the fun of it. So it's hard to feel good about single digit vacancy rates when unemployment is at a 20 year high. My research (best guess) tells me Industrial vacancy "went up". Seriously, it probably went from around 9% to 12% which is not a good thing. Many manufacturers operate on the "edge", high wages, offshore competition, taxes, etc. We were called in last week to evaluate a manufacturing plant for a company moving to the Midwest because the latest economic downturn was the last straw, and they're out-a-here.

There is obviously a great deal of pressure on lease rates; We net leased a 42,000 s/f manufacturing building for \$4.65 per s/f that was getting \$7.35 from the previous tenant. A 50,000 SF warehouse leased for \$1.75/ SF which is easily \$.50 less than it would have been a year ago, but it's nice to have activity. I keep seeing reports indication lease rates for modern high bay warehouse/distribution center are between \$4.00 and \$4.50 per square foot, these must be "asking rents" because I've never seen it go over \$3.75.

Westmass Development Corp will be acquiring the Ludlow Mills property. The 170-acre site is slated to be a modern industrial park they estimate will take 20-years to develop, they are in due diligence now and expect to begin in 2011. This should be a desirable location given proximity to the Mass Pike and will be very good for Ludlow.

We are predicting an improvement in the region's industrial market by the fourth quarter of 2009 but it could be ugly until then. Most likely we'll know by May or June when things will stabilize. We just have to remember that Western Mass is historically a very well behaved market, no huge

fluctuations as in primary markets. These are extraordinary times and will end, eventually.
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