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# Property owners consider and implement price reductions as a marketing tactic to attract interest

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As Greater Springfield's industrial marketplace enters 2009, the marketplace faces drastic changes in the local, regional, national and international marketplace brought on by a financial storm and recessionary business conditions few had foreseen a year previous.

The effects of the recessionary economic conditions and financial crisis have cast a shadow of uncertainty over much of the industrial real estate market as manufacturers, distributors and other industrial users attempt to assess or forecast their anticipated needs and deal with diminishing space needs.

Greater Springfield's industrial marketplace of approximately forty million square feet continues to experience an increasing overall vacancy rate now exceeding ten per cent. The market has seen numerous sizeable additions to its available inventory including the former Package Machinery Facility in East Longmeadow of 480,000 s/f.

While a measurable level of this available space continues to older less functional space not as readily assimilated into reuse the recent level of modern class A and class B+ industrial additions has rapidly increased the vacancy rate.

These new additions compliment an already well stocked list of available space and buildings, many of which have been on the market in excess of a year with several having been available in excess of two years or longer.

Recent market absorption of space for sale or lease has been minimal and this trend continues to have a destabilizing affect on market conditions as property owners consider and implement price reductions and other incentives as marketing tactic's to attract interest.

Available inventory ranges greatly from smaller spaces to 500,000 s/f with numerous 100,000 s/f free standing modern industrial buildings.

Market interest in 5,000 to 20,000 s/f buildings and spaces remains strong with limited availability particularly in for sale availabilities.

Regionally rental rates have remained stable, though competitive pricing has arisen with rental rates for existing warehouse/distribution space ranging between $3.50 and $4.75 per ss/f NNN. Rental rates for manufacturing space continue to range from $3.75 to $5.25 per s/f for existing modern manufacturing space.

New construction for flex space, light industrial and warehouse space continues to be priced measurably higher than existing space due to continued historically high development and construction costs. While a reduction in construction costs continues to be anticipated it has not been reflected in recent additions to the market place.

Market sales and asking prices have begun to exhibit a leveling off and decline as available inventory levels and marketing time has increased.

New construction continues to be less prevalent and fueled by user driven market construction or additions for principally local or regional companies with specific space requirements.

While the market has seen some recent speculative construction these projects have been in the works prior to the recent market turmoil and have had preconstruction commitment for at least half of the space planed.

Industrial land inventory while limited continues to experience the limited absorption present in the overall market place.

As economists, politicians, corporations and space users debate the impact and length of the recession, and it is unclear as to the extent of the economic contraction, its apparent 2009 will be a far more challenging year for the industrial market place.

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