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## **Market interest and activity remain consistent in Springfield's commercial and industrial markets**

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As Greater Springfield's commercial and industrial real estate markets enter the second quarter of 2009 the marketplace has experienced a dramatic change in the economic cycle affecting all market segments.

Greater Springfield's office market continues to present mixed results with its suburban component out performing the central business marketplace. While the suburbs continue to experience stable lease rates and interest, vacancy rates and marketing times have begun to increase.

Springfield's Central Business District continues to experience increasing vacancy rates and limited absorption. Class A space continues to experience a softening market as vacancy rates and diminished interest continues to create challenging conditions for landlords.

With the recent relocation of the Federal Court House to State St., Springfield's Central Business District has the addition of the former Federal Court House and office building to downtown's overall vacancy factor. While it is more than rumored that Mass Development is actually pursuing the building and its redevelopment and use, its present availability does pose both opportunity and concern for the Central Business District.

Class B office space continues to be affected by the opportunities offered historical Class B office users from the softening Class A marketplace. While direct availabilities are numerous, the office marketplace has been fortunate to this point to have a limited sublease market. This factor has allowed the primary marketplace to cope with the present market conditions without the further devastating affect of sublease market concessions.

Springfield has seen a resurgence of interest and new construction along its East Columbus Ave. entrance artery to the city. This location directly abuts Rte. I-91 offering excellent visibility and access and has seen several new office development projects within the last year. The majority of these are significantly preleased or user occupancy driven and should remain relatively stable. These developments are encouraging for the city and marketplace as they have redeveloped areas which had previously been underutilized and are in need of redevelopment.

Greater Springfield's industrial marketplace continues to be affected by less than favorable economic conditions affecting manufacturers and distributors and the economy. The marketplace has experienced a rapid increase in the availability of mid to larger sized industrial buildings to the area's inventory.

The new additions to the region's already existing inventory have created an ample supply of similar competing properties and have expanded the area's overall vacancy rate to greater than 10%. Market rents and asking rental rates have begun to react to oversupply and have seen a recent decline. Rental rates for warehouse distribution space are generally \$3.50 to \$4.50 per s/f NNN range. Industrial and manufacturing asking and market rental rates range greatly from approximately

\$3.50 to \$5 per s/f NNN depending upon property type and age.

Market absorption has been slowing and limited as the majority of available properties are experiencing marketing times of six months to a year.

Springfield's commercial and industrial markets remain challenged by present economic conditions, however, market interest and activity remain consistent though diminished.

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