



CELEBRATING  
55 YEARS

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## Summers' time

December 29, 2007 - Spotlights

A study released by ISO New England, operator of the region's power grid, says that the electricity market will continue to rely heavily on natural gas as a fuel source for at least the next two decades, even as the region increases investment in alternative fuel sources. "Unless the price of natural gas falls sharply, there will be no significant drop in electricity rates," said Bill Cannon, Tradition Energy's director of commercial and industrial sales for Conn. "None of Tradition Energy's market intelligence indicates that natural gas prices are going to tumble dramatically." Natural gas was cheap and plentiful a few years ago, which led to the region's growing investment this decade in gas-fired generating plants. Since then, however, natural gas has become prone to winter price spikes that have led to sharp increases in the region's electricity rates, which are among the nation's highest.

Marcus & Millichap's Medical Office Research report says the long-term outlook remains bright, supported by strong demand generated by the healthcare needs of the nation's aging population. "Over the next 10 years, the 55-plus population is expected to increase 25%, or by 15 million persons, a trend not lost on investors or developers. In nearly every major market, construction of medical office space remains at peak levels, supported by demand from all facets of the healthcare industry. Total s/f slated for delivery in 2007 is anticipated to surpass last year's level and will be well above the annual average over the past five years. Medical office vacancy is expected to rise temporarily as new inventory is delivered, though the long-term need for space will keep supply and demand in line. Average asking rents are forecast to increase at a moderate pace."

Developers are slated to add 14.5 million s/f of medical office space this year, an increase of 9.5% from 2006, and current construction levels remain higher than the average of nearly 8.6 million s/f brought online annually since 2000. Deliveries in the northeast and midwest regions have pushed the nationwide vacancy rate higher over the past 12 months. Elevated construction activity will nudge vacancy up 10 basis points by year end to 9.7%. Increasing tenant demand for space, coupled with the prevalence of new, high-end class A space, has pushed nationwide rents higher. Average asking rents are forecast to advance 4% to \$23.73 per s/f full service by year end, Marcus & Millichap says.

Wisdom comes with talking less frivolously and listening more seriously. The latter implies a learning attitude; the former assumes an air of omniscience that does not exist. S.K. Chakraborty

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