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Commercial property brokers say the market began picking up sometime in 2010 and while its not a rosy picture, more sales are happening. One recent example is this Walgreens in Brockton which sold for \$1.8 million.

Photo courtesy of Paramount Partners LLC

By **Beth Perdue**
Bulletin editor
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Brokers in Southeastern Massachusetts including Plymouth and Bristol counties are confirming that sales and leasing activity were generally slow in 2010, in line with national trends. But they said, the year ended better than it began and 2011 has showed signs of increased activity.

In the Fall River area, Kelly Collins, owner of Collins Commercial, called 2010 a "stable" year but said, more recently she's seeing an increase in calls and new inquiries.

"There are more buyers; people wanting to purchase in all areas," she said.

Collins, who brokers many of the industrial park buildings and mill spaces in the city, said she's been kept busy with changes to the city landscape as demolitions and other adjustments have forced some businesses, mainly retail, to relocate. Other transactions have included moves by social service agencies and a few medical companies, she said.

Recently, Collins said she helped Surplus Solutions find a larger space for its Providence-based operation, buying and reselling lab equipment to biotech companies. The company is currently moving its operation into a 22,000-square-foot space at 1200 Airport Road in Fall River.

She also worked with Millstone Medical CEO, Chris Ramsden, on their recent expansion in Fall River. In November, Millstone leased 26,000 square-feet in the city near its approximately 54,000- square-foot headquarters.

"They have two buildings in Commerce Park and they're looking to put on an addition," Collins said about Millstone's growth.

In the Bridgewater to Plymouth area, Tony Baldwin, president of Baldwin Realty Group in Carver, said he's been seeing activity for smaller to medium-size, single tenant spaces, like two Scotland Industrial Park properties he is working on in Bridgewater. The spaces, at 2,200 and 5,000 square-feet, are attracting a lot of interest, he said, however, significantly larger spaces aren't moving so well.

Likewise, in the Carver retail plaza that Baldwin owns and operates from, several new leases have been negotiated, including for a sign business and a bakery.

"Single tenant users in the 5,000 square-foot range are doing pretty good," said Baldwin. "But buildings that are 100,000 or 200,000-square-feet? No way."

In Providence, Mike Giuttari, president of MG Commercial, concurs that the market is more active for certain spaces, but for the Rhode Island industrial market, that means a more typical 20,000 to 40,000-square-foot space, he said.

Giuttari attributed much of the activity to available financing models, specifically the SBA 504 program which

allows for building improvements to be part of an owner-occupied deal.

"Ever since the middle of 2010, business seems to be turning around," he said. "The third and fourth quarters have been very good. Deals are happening in both sales and leases."

"A lot of sales have been on the industrial side with more leases on the office side," added Giuttari. "But retail business remains soft."

According to Giuttari, favorable conditions, including continued low interest rates and lenders becoming more active have helped create the turnaround.

Medical activity is a market bright spot in region

Like Collins, Robert Conrad, president of The Conrad Group, is seeing a generally slower commercial market, but said he believes medical space, especially in the southern portion of the state, will be one of the market's bright spots.

"What I'm seeing in the last 18 to 24 months is a lack of demand," said Conrad. "The demand side of the equation is just miles behind the supply side and as a result there's a lot of vacant space. And until jobs are created I don't think it's going to change much."

The only market sector showing any growth, according to Conrad, is medical.

"I think if I wanted to predict a market that's going to really boom in the next 10 years I'd say the Plymouth market," said Conrad. "I think that some of the other towns like Kingston, Hanson, Plympton or Duxbury, have been hindered by the fact that there's very little sewer. But Plymouth has the sewer capacity and the land and the town has been historically pro-development. I predict that they're going to see a lot of medical growth."

Conrad believes Children's Hospital's decision to open a 20,000-square-foot site in Weymouth is one sign of a trend where hospitals are reaching further out to establish presences in new areas.

"People on Cape Cod are driving up to New England Baptist (Hospital) to have knee replacement and they're more concerned about the traffic getting to the hospital than they are the operation," he said, adding "The South Shore is the last submarket to see this kind of migration."

William M. Whelan Jr., president of Whelan Associates LLC in New Bedford, agrees medical growth is a bright spot as more hospitals reach out to new areas. He is currently working on one of those development projects, a medical office building for Jordan Hospital in Plymouth which, despite not yet being in the permit stage, has two major tenants.

Other medical office projects underway in Southeastern Massachusetts include a 67,000-square-foot Southcoast Hospitals Group building being built in Wareham and a project by Saint Anne's Hospital for a 39,000-square-foot space in Fall River.

Conrad noted that growth in the medical area has been on both the leasing and development fronts, mainly because medical users have very specific building needs, including extreme parking requirements.

"Medical users are so preoccupied with location, you could have 15 empty buildings and not necessarily entice a medical user," he said. "(Plus) their parking requirements are so high, they need six spaces per 1,000 square-feet and if you have less than that, I can guarantee problems."

Closer to Cape Cod, Ben Edgar, president of Seawatch Realty with offices in Falmouth, Marion and Plymouth, said he expects a sale to close in the next 30 to 60 days on a building that is being bought by a dentist practice. The dentist is taking advantage of a buyer's market to make the transition from tenant to owner, he said.

"Right now if (a building's) available, they're going to get a good price," said Edgar.

Edgar agreed medical users have specific build-out requirements, but said with prices bottoming out, it's a good time to make the investment. This particular buyer, he said, is purchasing a building for about \$100 per square-foot with a plan to build it out for another \$100 per square-foot, he said.

Investors are seeking top-tier properties

When it comes to investors, area commercial brokers say they are out there buying but are primarily seeking safe-bet purchases, limiting their interest to fully-leased, prime location buildings.

According to Edgar, it's these high demand properties, along with those at the other end of the spectrum, the truly distressed ones, that are moving. But those in between? Not so much, he said.

"Those are two fairly small markets," said Edgar. "The majority of the market is in the middle and not moving."

"There's plenty of money out there, however it's got to be first class space," added Conrad.

"It's got to be in tremendous locations because investors are trying to take advantage of market price per square-foot," he said. "They want to buy well under the replacement cost and it's not going to do them any good unless it's in a great location."

Collins agreed investors have been seeking out fully-leased, high cash flow properties, making them particularly difficult to please.

"Everybody would love to find a building that's leased; they're pretty safe," she said. "The cash-flow, leased up buildings we could all sell."

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Commercial foreclosures aren't likely to increase

While analysts had predicted a steep increase in the number of commercial foreclosures, area brokers say that scenario never manifested and they don't expect it to occur in 2011.

"I'm seeing a lot of distressed properties but I'm not seeing a lot of foreclosures," said Conrad. "The buzz is that lenders are trying to work things out rather than take the title. But I know a lot of buildings that are in trouble are buildings that were at 90 to 95 percent occupancy that are now at 40 to 50 percent."

"If the banks see a solid marketing proposal and they know it is being worked on, then they're trying to work it out," agreed Collins.

Giuttari said he never agreed with the prediction that commercial foreclosures would skyrocket and while some may happen in 2011, he said he doesn't see the rate increasing.

"They're working them out. Obviously, there are some that are in trouble, but in general that big falling off the cliff like the residential market, hasn't happened," he said.

Message to owners, do whatever you have to do to keep tenants

Most brokers agreed that property owners are being challenged by tenants when leases are being renewed and sometimes even before the lease is up. Tenants are well aware the market is favoring them, they said, and they are not afraid to negotiate hard for lower rates.

"Tenants are going back (to owners) and saying I'm moving, I can go get space here for \$15 (per square-foot). I'm not paying \$18," said Giuttari.

"(Owners) are not happy about it," he continued. "Some are trying to hold firm and say they're not going to do it. But it is what it is. They'd rather have the tenants."

"Owners have to be flexible," added Collins. "The best thing is for an owner to be fair and competitive. If you have good quality tenants then work with them to keep them in the building."

Edgar agreed. Unless, it's a truly troubled tenant, he said, it's in the best interest of the owner to negotiate.

"In general any owner that calls me and asks me about it, someone who has a tenant that is negotiating with them, I say the priority is to keep them. Don't lose them. Do whatever you've got to do to keep them," he said.

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