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1.2 - 1.7% compared with 2.5% over the last ten years. Declining overall demand will be coupled with a significant oversupply of available building stock.

An exhaustive study on commercial office construction was recently completed by the MIT Centre for Real Estate Development and Arthur Anderson & Co., a large management consulting firm. Supply and demand were analysed in 239 urban and rural areas in the U.S. to determine likely trends for the period 1985-1995.

If overbuilding continued, national vacancy rates would hit 20% with some areas reaching 40% by 1995.

If construction were to continue at current rates, there would be a national vacancy rate in Primary office buildings of 20.5% in 1995. Regional variations are more startling: Arizona, 43%; Texas, 30.9%; California 29%; New York, 11.6%; Washington D.C., 6.5%; and Massachusetts, 12.5%. Overall, construction over the next decade should continue at half the pace of the last ten years if reasonable vacancy rates are to be achieved.

There are some bright lights though in the northeastern U.S. and mid-Atlantic states.

However, not all is doom and gloom in this sector. Figures 11 and 12 show the expected vacancy rates in 1995 if overbuilding was to continue. There will still be a significant demand for office buildings in the northeastern United States with Washington D.C., adjacent areas in Maryland, Baltimore, New York City and Boston as prime locations. The North Central states are slightly less attractive with the South Atlantic, Mountain and Pacific states being areas to avoid. Recent data supports the MIT/Anderson projections: office construction during the last twelve months has been strongest in New England and the Mid Atlantic states.

Some smaller urban centres appear likely markets as well.

Some smaller markets, particularly in the northeast, have been spared from overbuilding: examples are Springfield, Massachusetts; New Haven, Connecticut; Syracuse and Buffalo, New York; Scranton and Allentown, Pennsylvania; and Wilmington, Delaware. Although demand in these cities is not as high, they - and similar centres - represent possible niches.