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## **Nashua, NH marketplace is gaining momentum - economy is strong and outlook is more positive - by Kristie Kyzer**

July 27, 2018 - Spotlights

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At the close of the first half of 2018 the Nashua submarket appeared to be - finally - heating up, especially the industrial segment. At Colliers International | New Hampshire, we include Amherst, Hollis, Hudson, Litchfield, Merrimack, Milford, and Nashua in the Nashua submarket, and track over 19 million s/f of industrial space and 4 million s/f of office space in buildings larger than 10,000 s/f.

The industrial segment saw a little over a 7% drop in vacancy year-over-year, with the largest decrease in the R&D/flex category. Correspondingly, lease rates increased, albeit slightly, to \$6.13 NNN. The most significant increase was in warehouse/distribution buildings, which went from \$4.20 to \$5.78 NNN.

There was marked movement by tenants in the submarket's R&D/flex buildings in the second quarter of the year. For example, FORMA Beyond Imagination moved into 16,600 s/f of manufacturing space at 131 Burke St. in Nashua from its Wilton location. Also, GT Advanced Technologies downsized and moved from Merrimack to 5 Wentworth Dr. in Hudson, taking about 22,000 s/f. At GT Advanced Technologies' ribbon cutting ceremony at the end of June, the company gave this submarket high marks, stating that it sees this space as its long-term home and plans on expanding into more of the building.

One of the largest transactions in the submarket was the purchase of the two general industrial buildings located at 57 and 59 Daniel Webster Hwy. in Merrimack with a total of 570,000 s/f. Calare Properties, which bought the buildings for \$19 million in April, is an investment company that purchases industrial buildings in the Northeast. The day of the sale, Calare signed a 65,000 s/f lease with Langer Place. Doug Martin, from our Manchester office, represented Langer Place's move to the Manchester submarket.

While many companies are outgrowing their space, others are looking to make their current location work. For example, Amazon occupies a 64,000 s/f warehouse/distribution building at 10 State St. in

Nashua, but the site was not meeting its parking needs. Initially, Amazon looked to lease existing parking lots in the area, but instead found it was able to add an additional 100+ spaces by constructing two new lots around its current building.

Similarly, SL Chasse Steel in Hudson applied for site approval to nearly double its 34,000 s/f building on Christine Dr. for a total of 72,000 s/f. It also owns and occupies the abutting 24,000 s/f building. The company has grown over the last four years, largely due to the demand in steel construction materials, and is looking to add up to 20 new positions with this expansion. Additionally, it is exploring the purchase of five more acres on Christine Dr. to secure its needs in the future. Its decision to stay and grow in Hudson is another positive sign for this submarket.

Recently the Nashua Regional Planning Commission did an in-depth study of industrial buildings and potential development sites in Hudson, focusing on the two largest business parks in the area: Sagamore and Clement Rd. Industrial Parks. The Sagamore Industrial Park is almost at capacity with over 30 office and industrial buildings, totaling about 1.5 million s/f. Only four buildings have available space and there are very few vacant lots available for development. On the other hand, Clement Rd. Industrial Park has 550,000 s/f of industrial and mixed-use buildings, but there is a lot of vacant land that could add up to 180,000 s/f to the park.

The commission opined that the demand for developing these sites does not appear to exist at this time. However, with the vacancy rate at 6.3% in the submarket and the movement over the last quarter, we may begin to see a higher demand for new construction. Given the size of the lots, one possible development could be the type of large, high bay warehouse/distribution or manufacturing buildings that have been going up around the Manchester-Boston Regional Airport. Only time will tell if this activity will continue and the submarket will stay strong.

Although the activity in the industrial market is more robust than the office market, we still saw a slight drop in the year-over-year vacancy rate. A few leases our Manchester office completed this quarter include: Physicians Resources LTD, which took over 17,000 s/f at 316 Daniel Webster Hwy. in Merrimack and brought the building to full occupancy, and 10 Tara Blvd. in Nashua, which reached full occupancy with a tenant that added an additional 28,000 s/f to the approximately 70,000 s/f it currently occupies in the building.

We also saw that The Nashua Program at Brentwood plans to return to Nashua with its signing of a 3-year lease. This alternative high school had been located in Merrimack, but will occupy the former Hesser College space at 410 Amherst St.

These transactions are similar to trends we have been seeing in other submarkets, like Portsmouth and Manchester. The economy is strong and the outlook is more positive than it has been in many years. This motivates companies and institutions to not only grow their real estate footprints to meet current demand, but also to plan for future growth. Although the Nashua submarket lagged behind the recovery seen in most of the submarkets we cover, the activity so far this year indicates the vitality of the area.

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