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2008 New Hampshire industrial market: A favorable environment for future tenants

February 27, 2008 - Spotlights

Overall, the New Hampshire industrial market continued to show positive improvement through 2007 as the total vacancy rate decreased from 12.4% in 2006 to 11.4% in 2007. This steady reduction in vacancy is expected to continue in 2008. CB Richard Ellis/New England tracks the industrial market in both the I-93/Rte. 3 corridor from Nashua/Salem to Concord and the Seacoast/I-95 corridor from Seabrook to Rochester.

The New Hampshire I-93/Rte. 3 submarket is comprised of approximately 40.6 million s/f of investment quality industrial space. Of this amount, approximately 5.1 million s/f was vacant at year-end 2007. This represents a 12.6% vacancy rate, down from 14% in 2006. Although the overall vacancy rate remains relatively high, the continued reduction in vacancy is promising. We expect asking lease rates to remain steady in 2008 and the overall vacancy rate to continue its downward trend.

In the New Hampshire Seacoast/I-95 submarket there is over 16.6 million s/f of investment grade quality industrial space. Of this amount, approximately 1.4 million s/f was vacant at year-end 2007. This represents an 8.5% vacancy rate, up marginally from last year's 8.4% vacancy rate. Generally speaking, this would be considered a relatively healthy market with room for improvement, and clearly not a depressed market as other parts of the country have experienced. The vacancy rate remained relatively unchanged in 2007, and we expect that it will remain level or decrease slightly in 2008 and that asking lease rates will continue to increase during 2008.

Demand in both markets remain strong especially for space in the 5,000-50,000 s/f range. We continue to see obsolete industrial buildings being converted for alternative uses and available industrial land suitable for development become increasingly sparse in both markets.

The southern New Hampshire office market remained stable and virtually unchanged through 2007 showing slow but steady signs of improvement, which we expect to carry forward into 2008. The slow down of the housing sector has not yet shown an effect on the commercial markets and we are cautiously optimistic that vacancy rates will continue the current stable trend from the highs of 2002 at 18% to their present levels at 14.4%. We expect to see a continuation of the current office vacancy levels beginning in the first quarter of 2008 and continuing through the year, if developers continue to let the market absorb existing product before building new office product.

Although we expect continued stability in the office market for 2008, we are seeing signs of low demand for office space in both the class A and class B markets. This low demand may start putting pressure on the office market in the third and fourth quarters of 2008 thus creating a favorable environment for tenants in the market.

Excerpts taken from New Hampshire Market Survey Year End 2007.

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