19 63 CELEBRATING 55 YEARS nerej

A Q1 2013 snapshot of the New Hampshire industrial market shows continued improvement

May 30, 2013 - Spotlights

The New Hampshire industrial real estate market continues to show marked improvement with recent absorption of well over 1 million s/f of space.

In New Hampshire, Colliers International independently tracks more than 1,200 industrial buildings over 10,000 s/f, which amounts to almost 62 million s/f of space. The Q1 2013 survey showed an industrial vacancy rate of 10.9% as compared to a 12.5% industrial vacancy rate seen in Q1 2012.

The Concord and Rochester submarkets have a combined 12.9 million s/f of space and each show low industrial vacancy rates of 5.3%.

The largest industrial submarket in the state, Nashua, with almost 19 million s/f of tracked industrial space shows a vacancy rate of 15.2%. The higher vacancy rate in the Nashua submarket is attributed to a significant amount of aging, and in some cases functionally obsolete, facilities along with some large, older buildings in remote locations that lack easy highway access.

The Q1 vacancy rate for the Manchester submarket, with a little over 12 million s/f of industrial space, tightened to a rate of 7.5%. The Manchester submarket suffers from a lack of available modern, high bay industrial buildings, especially for sale. Companies needing 25,000 s/f or so have a handful of available options for lease and even fewer for purchase. Manchester area companies such as Corflex, Wire Belt and Bosch have met expansion needs by expanding its current facilities. A few companies have been able to upgrade its facilities via purchase including Burton Wire & Cable's recent purchase of a 70,900 s/f building at 1 Brookside West in Hooksett for $41 per s/f.

The Salem submarket, with a little less than 3.5 million s/f of industrial space, has the highest vacancy rate in NH of 17%. Greater Portsmouth, with 11.8 million s/f, has an 11% vacancy rate which closely mirrors the overall statewide industrial vacancy rate.

N.H.'s industrial employment base actually suffers due to the lack of available, modern industrial properties for sale of 75,000 s/f or larger. A search of such properties in the New England Commercial Property Exchange (NECPE) finds only a dozen available in primary N.H. markets. Available spaces that meet contemporary requirements, such as 30' ceiling heights are rare.

In general, companies in Southern N.H. are faced with premium pricing for existing product in the buyer market evidenced by a recent sale of 396 Pepsi Rd., Manchester. This 25,376 s/f industrial building purportedly sold for well over $70 per s/f or trying to function in antiquated facilities.

We seem to be closer to a point where the economics of new construction make more sense in comparison to pricing of existing product. That said, multi-tenanted, new construction industrial product is still virtually non-existent in the market although pad ready land opportunities are available. Business owners and lenders remain cautious, mainly due to the weakness of the current economic recovery and the lasting memory of the most recent recession. Additionally, new construction remains high relative to leasing or purchasing existing building stock.

Recent industrial sales point to investors and users looking at available assets in secondary and third tier markets that can be more affordable while still fulfilling needed physical requirements of clear high bay space, multiple docks and heavy power.

An industrial oriented investor group out of Mass. recently purchased a 144,378 s/f building in Pembroke which had been vacant since Precision Technology closed in August 2009. The building will be converted to a multi-tenant facility. The property sold for $2.6 million.

In another transaction, a 99,700 s/f manufacturing building at 40 Industrial Park Dr., Franklin, N.H. was sold by Isola Corp. to Performance Chemicals, LLC of Concord, N.H. The property has been idle as a manufacturing facility since Isola purchased Polyclad Laminates.

Also, a Manchester area investor just purchased a 300,000 s/f industrial property once home to one of Keene's largest employers for an astonishingly low price of $50,000 at a foreclosure auction in early May.

It seems the worst of the industrial real estate market downturn of 2008-2011 is behind us and space absorption is strong again. Hopefully, new product will start coming to the primary markets in order to accommodate the needs of industrial users. In the meantime, users and investors can look to secondary and third tier markets for opportunities to meet its industrial needs.

Jim DeStefano is vice president of sales & marketing and is principal of Colliers International|New Hampshire, Manchester, N.H.