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The Southern New Hampshire market - fuel for all or a major competitor to Boston

March 26, 2008 - Spotlights

The New Hampshire boundary is some 30 miles north of downtown Boston. Markets have no state boundaries. Office and industrial markets do not stop at hypothetical lines on a map.

In the case of southern New Hampshire, this market is very much part of Boston. Nashua and Manchester are within a one hour drive.

If one moves 10 miles north of the Massachusetts border on I-93 as the center point and studies the market within a 10 mile radius, rather astonishing statistics are presented:

- * There are 353,000 people or close to 20% of that of the Boston-Quincy PMSA
- * The average income exceeds \$74,000 per household per annum
- * Within Rockingham County as of year end, unemployment approximated 3.5%

A strong economic market exists minutes north of our capital city.

This article will analyze the suburban Boston office and industrial markets and compare with the southern New Hampshire.

Suburban Boston/New Hampshire Office Comparison

My firm CB Richard Ellis (CBRE) divides the suburban Boston office market into 10 quadrants. The total market size is 101,512,000 s/f as of Q4 2007 an 18.6% overall availability.

The metro north market totals 37,700,000 s/f with an availability of 20.8%. Average asking rent is \$19.96 per s/f exclusive of tenant electric. On a NNN basis, average office rents approximate \$12.50 per s/f NNN.

In comparison, the I-93/Rte. 3 corridor and I-95 seacoast corridor in southern New Hampshire total 26,630,000 s/f of space. Average availability is lower at 14.4% and average NNN rent is only slightly lower at \$11.32 per s/f.

Suburban Boston/New Hampshire Industrial Comparison

The suburban Boston Q4 2007 industrial market is larger in size than the suburban office market. There are a total of 133,690,000 s/f in the suburbs. The average availability is 15.7% and the average asking rent is \$6.94 per s/f NNN. Like the office market, the industrial market is divided into 10 quadrants.

The metro north industrial market totals 51,270,000 s/f, has a higher availability of 17.7% and an average asking rent of \$7.94 per s/f NNN.

In contrast, the I-93/Rte. 3 corridor and I-95 seacoast corridor industrial market in New Hampshire is larger. It totals 57,265,000 s/f. The availability rate as of Q4 2007 is lower at 11.4% and the average asking rent is \$5.57 per s/f NNN.

Conclusion

When Boston's and southern New Hampshire's office markets are compared, New Hampshire's market is only 26% of that in Massachusetts. The overall impact is relatively limited although there

is slightly higher availability in Massachusetts, NNN rents are quite comparable.

The differences are that New Hampshire is a flat market impacted by large corporation downsizing while in the metro north office market there was 675,000 s/f of absorption.

The industrial markets are different. New Hampshire is a major competitor and has outperformed Boston. The New Hampshire industrial market is 38% of Boston's total size. Average industrial availability is 27% below that in Boston with an average asking rent in southern New Hampshire of \$5.57 per s/f NNN. This is a full 20% below Massachusetts and a major competitive advantage. With a limited availability in New Hampshire, particularly in the distribution area, this has led to build-to-suit deals in the market.

Overall, Boston can not be looked at alone. It has a very powerful neighbor to the north. From an office perspective, when New Hampshire is added to Boston, overall including downtown and Cambridge we are looking at close to 250,000,000 s/f of office space.

To place size in perspective, when I go online and review Viewpoint 2008 (www.irr.com), I find that outside of New York, Washington DC and Houston we have the fourth largest office market in the United States here in New England. The challenge is in how we market the unique position we are in.

100+ years ago we were the leader of the Industrial Revolution. We must recognize and respond to our new role in order to retain the position in which we find ourselves at the beginning of the 21st Century.

The power of the trade associations when properly managed are huge. Locally, just look at the impact of the Massachusetts BIOTECH Council. Nationally, just look at the change resulting from the United States Green Building Council and its LEED Certification.

These are the types of opportunities before us. When southern New Hampshire is combined with Greater Boston, there is a unique market engine that has the potential of being the region's fuel, all for the 21st Century, if properly marketed and managed.

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