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Summer is here, and commercial activity has notched up - due in part to tenants going "short"

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Summer is here. It has been a cool, wet spring but commercial activity has notched up. Some of this, regarding leasing, is due to the trend over the past 10-15 years for most tenants to go "short," which is they do not commit to long-term leases. In the office arena, we see two and three-year leases predominate. Five-year leases are still out there too. But seven or ten year terms usually come with an "early termination" clause, effectively making them five-year commitments. Thus, about 20% of office tenants turnover every year. There are exceptions. Medical is one due to the significant expense to build out space. Similarly, custom fit-up or renovations for a tenant, even industrial or distribution users, can add up. Adding an overhead door with a dock leveler can easily reach \$20,000. So, if the space needs extensive fit-up, the lease term may stretch beyond 5 years.

We are marketing the Union Leader building in Manchester, NH. It is 173,000 gross s/f (169,000 "rentable" s/f) on 20.44 acres. It is 20 years old with 60,000 s/f of "low bay" offices and assembly space and 109,000 s/f of high bay (22' - 26' clear). It is fully air-conditioned with 14 docks. Alas, this is a big building in the New Hampshire market. While most single-user buildings are very difficult to subdivide (because all the offices are at one end, the loading docks at another, no bathrooms in much of the space and often the parking all in one "field"), this user has six separate departments and hence, six relatively independent areas within the building.

The union leader outsourced its printing of the newspaper this past year (as have many others). The press sat square in the middle of the building (two and one-half stories high). It took nearly 9 months to remove the press and ancillary components. Now, the space is open and ready to accept new users/tenants.

But a newspaper has many office functions and thus, in 2014 terms, this property has a lot of office area (nearly 36%) which is high except for certain industries. What this property has is location! It is in Manchester's East Industrial Park at the juncture of Routes 101 and I-93, 50 short miles from Boston.

What has struck us is the wide range of interested parties including education, medical, recreation, warehouse/distribution, manufacturing, printing, technology and several more. Today, new buildings are built as "flex tech". They have high ceilings, are 100% air-conditioned, have plenty of power and sufficient parking to be all office or a combination of office, manufacturing/assembly, warehouse and distribution. This is not only required when the user or tenant changes, but often mid-term when the user/tenant changes their processes and delivery platforms. Today, more than ever, the only constant is change.

Anticipating a variety of potential users, we went so far as to develop a plan to split the building in two via a condominiumization - one portion being predominately office (60,000 s/f) and the other high bay, distribution/warehouse (109,000 s/f). The tenants and the users drive the market these

days, so landlords and sellers have to adapt. We have another high bay listing in Merrimack, N.H. with no dock high doors (drive-in only). We have developed several concepts on how to provide dock doors quickly and at a reasonable cost.

We often advise parties developing these Flex Tech buildings to anticipate changing requirements over time. For instance, a single building user may want to downsize in the future. So, they ideally would develop a range of options to do so, which requires separate entrance(s), sub-metered or separate power, bathrooms, multiple ADA access, convenient parking, perhaps signage and the right mix of office and high bay space. Alas, the benefit comes with costs and is far easier said than done. Something to think about nonetheless.

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