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Small and medium firms are choosing flex tech space in lieu of traditional office environments - by Bill Norton

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Currently there is a significant tightening of supply for small to medium industrial users in New Hampshire. "Industrial" is a catch-all phrase for "high-bay" space. Years ago, 16' clear was high-bay - not so today. Now these buildings are sometimes described as flex tech, where assembly, R&D, light fabrication, office and shipping all are on the same floor.

True high bay today is no less than 20' clear (clear meaning the vertical height from the concrete floor to the underside of the lighting, sprinkler pipes and HVAC duct work). This can accommodate racking that can stack three pallets high. But for firms involved with inventories and significant distribution, four high pallet racking is becoming the norm. This results in 30' high buildings as the steel frame needs to be more substantial and the mechanicals are bigger given the bigger volume within the cube itself.

We at Norton Asset Management and Harrington & Reeves have several properties listed, as well as several assignments (tenant rep and/or buyer broker). I am working with one R&D prototype firm looking to begin production of organic-based pharmaceuticals. They want to buy a 10,000 s/f facility, 20% office, 18' clear, one or two loading docks and newer, "clean" construction (no lead paint of any kind). Looking throughout Central and Southern New Hampshire, this has been a challenging task. There are many larger buildings (20,000-50,000 s/f) and there are many smaller units (2,000-3,000 s/f industrial condos), while much of the existing inventory is for lease only.

We also have a listing for a 36,000-40,000 s/f industrial building (10 units of 3,600 s/f each, each with additional mezzanine space). This property is no longer in an industrial zone and was owned by a catalog sales distribution company. So, under current zoning, it could be warehouse distribution or commercial or light assembly but not real manufacturing, nor with any significant outside storage.

These types of buildings are relatively expensive to build today given current land cost and building code requirements (\$65-\$90 per s/f).

Thus, the inventory/supply has been constrained somewhat since the Great Recession of 2009. So we sometimes feel that pinch. One other contributing factor is the softness of the overall office market. Many 21st century small and medium firms, especially those in tech fields, are choosing flex tech environments in lieu of more traditional offices. Open concepts, tech friendly workstations, pods, nodes, working in teams - all of these current concepts are chipping away at 20th century office properties. The result is more competition for the former "industrial" space.

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