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New Hampshire industrial market 2018 - by Mike Harrington

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The state of the industrial market in New Hampshire continues to remain strong across most property types. The overall trend for 2018 is predicted to show a decrease in vacancy and an increase in asking rents. The most robust segment of the industrial market continues to be the demand for high bay warehouse space in the Seacoast and Southern N.H. markets. Historically, the vacancy rate for high bay warehouse space has been 6% with asking rents ranging from \$4.90/s/f to \$5.50/s/f NNN. Today, vacancy rates are at a historic low of 4% and asking rents continue to trend in a positive direction, increasing from \$5.90 to \$6.50/s/f NNN since 2013. In a recent survey of available high bay warehouse space in Southern N.H. only three (3) buildings, approximately 279,000 s/f with clear heights greater than 30' are available for direct lease and 1 building with 46' of clear height is available for sub-lease. This lack of available space is forcing logistics companies to purchase land and build new for their own use. Much of this new high bay space has been developed in Londonderry, N.H. and is centered around the Manchester-Boston Regional Airport. This includes facilities developed for FedEx Ground, UPS/Pratt Whitney and most recently the nearly 1,000,000 s/f for FW Webb.

Leasing activity for low bay manufacturing space continues to be sluggish with most of the activity in this segment coming from the successful conversions of former large manufacturing facilities and mill space into sophisticated, energy-efficient, multi-tenant, high-tech and R&D campuses. Most notably, the conversions of the former Digital/HP manufacturing facilities located in Nashua owned by John Flatley Company now called Gateway Hills, a series of 3 interconnected buildings totaling 750,000 s/f, that currently reports a 9.7% vacancy rate. And 9 Northeastern Blvd. located in Salem, a 660,000 s/f multi-tenant, high-tech R&D building that is also experiencing low vacancy. The owner, Equity Industrial Properties, has plans to develop its surplus land and is currently searching for tenants.

Key takeaways for the 2018 New Hampshire industrial market:

1. Historically low vacancy rates for high bay warehouse space will continue
2. Asking rates for high bay warehouse space continue to trend up
3. Little to no speculative development
4. Converted manufacturing and mill space continue to attract high-tech/R&D users

My experience tells me; if we're not at a peak in the industrial market, we're traveling above the tree line.

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