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## **Southern N.H. irony: Former industrial sites changed to retail, now changing back to industrial - by Michael Harrington**

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They say the highest form of humor is irony. After working and consulting in the commercial real estate industry for the past 25 years, one experiences some ironic situations that rise to the level of being humorous.

Most recently I've been witnessing irony playing out in real time as it relates to the industrial market in southern New Hampshire and, most likely, in other markets, as I'm sure this is not isolated to New Hampshire. The most recent report that Amazon has leased the former BJ's Wholesale Club on Quality Dr. in Hooksett is a good example of the irony occurring in the market. Specifically, this trend is to re-purpose large blocks of retail space by converting them into fulfillment centers or, in some cases, warehouse distribution space. Up and until a few of years ago, the trend had been to re-purpose and/or demolish obsolete industrial buildings that were located in high traffic areas and convert them to retail.

In the late 1980s and 1990s you could drive up and down Amherst St. in Nashua, and see manufacturing buildings and warehouse distribution centers for Digital Equipment Corp., HP and many other industrial users occupying what is now prime retail space. Over the years, those properties were either demolished or converted into retail malls, strip centers and restaurants. In Manchester, Gold St. and South Willow St. were once home to many large scale industrial users such as Associated Grocers of New England, Sylvania, Harvey Doors and Windows, various 3rd party logistic companies and many other trucking companies. Today, those properties are now home to Walmart, Chunkies Cinema, Planet Fitness and many other retail plazas and shopping centers that have been developed out of the ashes of former obsolete industrial properties. How ironic that 30 plus years later some of these locations are now being de-malled and converted back to more of an industrial use (thanks to E-commerce and the digital economy)?

Suburban retail malls have been over-built across the U.S. during the past 30 to 40 years, so much so that the term "de-malling" has now entered the American lexicon and is used to describe the

re-positioning of the suburban mall, including the partial, or complete, demolition of the building, hence “de-malling.” Ironically enough in some cases, the properties are converted back to what is considered an industrial use, being “last mile” fulfillment and distribution centers. This is a trend that is expected to continue as malls continue to lose big box retail stores such as JC Penny, Sears, Macy’s, and BJ’s with the list continuing to grow daily. We are witnessing a gradual reduction in our retail footprint, while increasing our industrial footprint in order to satisfy the demand for distribution and fulfillment space being driven by the American consumers’ desire to purchase consumer goods over the internet.

As I’ve mentioned in past articles, the demand for distribution and fulfillments space in the southern New Hampshire market continues to be strong. The southern New Hampshire industrial market continues to experience historically low vacancy rates, increasing rental rates and increasing cost to purchase existing buildings. The recent leasing of 60,000 s/f of space to Amazon in Hooksett, the 118,000 s/f recently leased to BAE in Hudson and the announcement in May by Bellavance Beverage Co. of their plans to build a 142,000 s/f warehouse distribution center in Londonderry in order to consolidate their operations is evidence that demand continues to outpace supply. I recently completed a survey for a client who needs to lease 50,000 s/f of warehouse space with 30’ ft. clear heights. In the entire state of New Hampshire, I was only able to identify seven properties - four were not yet built, but could be built for a qualified tenant. One was in Kingston, one was in Durham, and one was located in Pembroke. All of which were outside the target area. My recommendation to the client was to build new or consider leasing non-traditional properties. It is quite possible the solution will include leasing them space in a former Sears or JC Penny. To quote Alanis Morrissett, “Isn’t it ironic, don’t you think.”

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