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A positive first quarter in New Hampshire with an unclear future - by Kristie Kyzer

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The New Hampshire commercial real estate market had a positive start to the year, but the direction of the market moving forward is unclear. Occupancy rates remain high, with the office market at 91% and the industrial market at 95% at the end of the first quarter. We could see absorption slow down due to many business decisions being put on hold due to the COVID-19 pandemic. With the stay-at-home order, many offices are vacant with the transition to a work-at-home platform. Conversely, some warehouse and manufacturing companies are functioning at their highest capacity. Both trends will likely have a lasting impact on the market.

Focusing on a strong first quarter; the office market finished with positive absorption in most submarkets, with the overall market absorbing 23,030 s/f, or about 0.10% of the inventory. This minor increase and an already high occupancy rate did little to change asking rates, which dropped by 0.25%, and ended the quarter at \$18.45 MG.

The industrial market remains tight as occupancy rates remained relatively stagnant, showing a slight downward move of 0.24%, or 164,000 s/f, of negative absorption. This anomaly is likely due to the fully occupied buildings we added to our tracked inventory. At the beginning of the year, we took a hard look at how we categorize industrial buildings and decided to remove the generic category of general industrial and added a 'manufacturing' category. All tracked industrial buildings are now placed in one of the following categories: manufacturing, flex/R&D, and warehouse/distribution. This recategorization impacted the overall weighted average rents, as well as occupancy and vacancy rates in specific category. Because of these changes, the market saw a larger bump in rents than we typically see with a 7% increase, ending the quarter at \$6.81 NNN.

As New Hampshire continues to battle the impact of COVID-19, we could see a change in how companies view their real estate needs. For instance, office users may do an in-depth look at the positive impact working from home has on its employees and conclude its office requirements can be decreased. On the other hand, employees and employers may have learned the value of collaboration during this period. Time will tell what type of impact this event has on the office market.

On the industrial side, increased unemployment could lead to companies filling long standing vacant positions. For more information about COVID-19 impacts on the market, take a look at Colliers' Knowledge Leader publication (knowledge-leader.colliers.com). Hopefully, by the end of second quarter business operations will be back to more of a norm.

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