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Summer update in Northern New England - by Robert Concannon

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Since the outbreak of the COVID-19 crisis earlier this year, most real estate professionals have been eager to figure out where various segments of the broader real estate markets may be headed. Like the current national political environment, most trends seem to be tracking on a local or regional basis. For many areas typically deemed to be rural or undeveloped markets such as much of northern New England, the impact to date has been much different than originally expected. Historically, economic downturns tend to impact geographically remote areas much sooner or more drastically than metropolitan or urban areas. This tends to be based upon lack of economic diversification, reduced linkages and increased distances between employment centers and population. Interestingly, these factors have proved to be an asset in the new (COVID-19) era. Many sections of northern New England are experiencing some of the most dramatic increases in demand for real estate in the past 20 to 30 years.

While much of this demand is focused on residential properties for residents seeking to relocate or retire from large metropolitan areas (Boston, New York, New Jersey), this has also impacted many segments of the commercial real estate markets, including; multi-family apartment properties, apartment complexes, vacant land suitable for residential development, and fast food restaurants. These submarkets are reporting very strong demand with few available properties and very short listing periods. This highlights a dramatically new shift in outside capital into northern New England with substantial interest in historically desirable markets such as Portsmouth, Portland, the Lakes Region and the White Mountain region. This segment is notably contrasted with reduced or minimal demand in others sectors such as hotels/motels, restaurants, hospitality, and retail/office markets. These submarkets are overshadowed with uncertainty and concern regarding the potential for declines in property values from reduced occupancies and rental income from the impact of reduced visitors, diners and tourists.

So now the question is where does this all go?? Most buyers and brokers feel that a long-term shift is already occurring in most residential markets. With a protracted public health crisis, much uncertainty regarding employment and an aging work force, many people are simply choosing to relocate to areas with greater amounts of space, lower population density and minimal reliance on public transportation. Much of northern New England meets these criteria. Many residents are simply choosing to relocate to less developed areas that they are already familiar with through summer and winter vacations. Adding to this, many employers are encouraging employees to continue to work online. This fundamental change in allowing many more workers to stay at home will only add the current out-migration of people in larger metropolitan areas. Most developers and brokers are anticipating the current trend to continue at least in 2021. All of this bodes well for further appreciation in home prices and new residential development. It also will help increase apartment demand and rental rates with higher prices per unit in most markets. The downside to this current trend...many communities will be faced with mounting pressure to increase/expand social services, school capacity and infrastructure. Local road systems are already experiencing higher traffic levels with prolonged delays and increased congestion.

This contrasts the recent impact to retail shopping areas which are experiencing similar upheaval. While local destination areas (Portsmouth, Wolfeboro, North Conway) are navigating through new social distancing measures with some relative success (current business owners are reporting satisfactory results), traditional retail shopping malls and strip plazas are languishing. It is uncertain whether these old retail facilities will be able to survive the current upheaval. Local office markets face an even more uncertain future with many employers contemplating a continuation of stay at home work for many employees. The overall impact of these changes will probably not be felt until next year. This could have a drastic impact on smaller office properties and non-owner-occupied properties. Incubator space may also experience a downturn in demand with many sole proprietors choosing to work at home.

With no certainty that the current trends in most sectors will continue, there are signs that most markets are in a state of flux. There is no certainty that any of this will continue or a new set of changes will occur over the next year. Most individuals are viewing 2020 as reset of the entire economic system with no clear path for where these current trends will take us. So far many of the initial changes have been different than those of us (living in northern New England) had originally expected. More to follow!!

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