



# nerej

## **New Hampshire commercial real estate market is beginning to head in a clearer direction - by Kristie Kyzer-Russell**

October 30, 2020 - Spotlights

Kristie  
Kyzer-Russell  
Colliers International

Even though we are still in the pandemic, the New Hampshire commercial real estate market is beginning to show a clearer direction. The office market is still facing some uncertainties as companies try to make decisions. If the occupancy rate continues its downward trend, we will see more space coming to the market. On the other hand, the industrial market is staying strong as only a small amount of space hit the market this quarter and investment sales flourish.

The occupancy rate in the office market dropped by 0.7% year-over-year for the second quarter in a row, ending the quarter at 91.2%. This translated to a negative absorption of 314,474 s/f. Given the current climate, this does not come as a big surprise, but a larger shift may still come as more companies reconfigure their office space. Despite occupancy rates dropping, rents actually rose by 3.01% or \$0.57 per s/f year-over-year, ending the quarter at \$18.89 modified gross. As more space becomes available, rents will likely level out or start declining.

Even with more space available in the third quarter, there was a slight uptick in lease deals compared last quarter. One of the larger transactions was the Wheelabrator Technologies lease for 50,300 s/f in Newington. The company signed the first lease at the newly constructed, 72,000 s/f timber frame building at 90 Arboretum Dr. and will relocate its corporate headquarters there at the beginning of 2021.

Over the quarter, two other companies expanded or renewed in their existing spaces. In Portsmouth, Novocure, Inc continued its expansion along Commerce Way in Portsmouth, subleasing an additional 19,000 s/f at 135 Commerce Way. The company now occupies roughly 74,000 s/f at 135 and 195 Commerce Way. Additionally, Sheehan Phinney PA renewed its downtown lease in the class A building at 1000 Elm St. in Manchester, in roughly 38,000 s/f.

Although the number of office sale transactions did not increase, there were two notable deals

during the quarter. Cameron Real Estate sold the class B office building at 9 Executive Dr. in Merrimack for \$2.4 million (\$87.79 per s/f) to an LLC associated with Melanson, a local CPA firm. The company plans to consolidate its Nashua and Manchester offices into this 27,340 s/f building. Once this sale was complete, Cameron Real Estate then purchased the multi-tenanted 26,975 s/f class B office building at 6 Trafalgar Sq. in Nashua for \$2 million (\$74.14 per s/f).

While the office market was relatively quiet, the same cannot be said for the industrial market. The occupancy rate was steady at 95.1%, a minor 0.18% dip, translating to negative absorption of 114,774 s/f year-over-year. As occupancy rates remained steady, rents continued to rise throughout the year, increasing by 3.07% or \$0.21 per s/f, and ending the quarter at \$6.84 NNN.

There was also an increase in overall industrial transaction volume over the quarter. This was especially true with investment sales, with the largest transaction at The Manchester Logistics Center at 333 Harvey Rd. in Manchester. The 724,000 s/f warehouse/distribution facility has been home to True Value for many years and sold for \$32 million (\$44.21 per s/f). Other industrial investment transactions that occurred over the quarter included the \$4.035 million (\$53.03 per s/f) sale of 562 Mammoth Rd. in Londonderry, a 76,000 s/f manufacturing building; and the \$4 million (\$56.69 per s/f) sale of 23 Dumaine Ave. in Nashua, a 70,560 s/f warehouse/distribution building.

In addition to the uptick of industrial investment sales, the number of lease transactions increased significantly compared to last quarter, particularly in the warehouse/distribution category. One of the largest lease transactions this year was the UPS lease of 102,000 s/f at 8 Marin Way in Stratham. Another large lease occurred at 36 Executive Dr. in Hudson, bringing the building to full occupancy. RJ Schinner leased roughly 91,000 s/f of warehouse/distribution space, its 18th location nationwide, but first NH location. Other transactions included Company C relocating its warehouse/distribution space to 36,000 s/f at 77 Merrimack St. in Concord and the 26,400 s/f leased by Baron's Major Brands Appliances for additional warehouse space at 875 Holt Ave. in Manchester.

Although the number of office and industrial transactions increased since last quarter, it does not mean that both categories are headed in a positive direction. The office occupancy rate has steadily declined over the past two quarters, and as tenants decide on their new layouts, we may continue to see negative absorption. On the other hand, the industrial market is headed in the opposite direction with its occupancy rate remaining above 95%. We believe the industrial market will continue to flourish with multiple lease transactions and investors still targeting the market.

Kristie Kyzer-Russell is a research manager for Colliers International, Manchester, N.H.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540